

INTERNATIONAL BANCSHARES CORP  
Form 10-Q  
August 08, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended June 30, 2007**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 0-9439**

**INTERNATIONAL BANCSHARES CORPORATION  
(Exact name of registrant as specified in its charter)**

**Texas**  
(State or other jurisdiction of  
incorporation or organization)

**74-2157138**  
(I.R.S. Employer Identification No.)

**1200 San Bernardo Avenue, Laredo, Texas 78042-1359  
(Address of principal executive offices)  
(Zip Code)**

**(956) 722-7611**  
(Registrant's telephone number, including area code)

**None**  
**(Former name, former address and former fiscal year, if changed since last  
report)**

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 if 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.

OR

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Large Accelerated Filer

Accelerated Filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                          | Shares Issued and Outstanding                      |
|--------------------------------|--|
| Common Stock, \$1.00 par value | 69,056,925 shares outstanding at<br>August 1, 2007 |

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## PART I FINANCIAL INFORMATION

Item 1. Financial Statements

## INTERNATIONAL BANCSHARES CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Condition (Unaudited)

(Dollars in Thousands)

|  | June 30,<br>2007 | December 31,<br>2006 |
|--|------------------|----------------------|
| <b>Assets</b>  |                  |                      |
| Cash and due from banks  | \$ 256,219       | \$ 268,207           |
| Federal funds sold   | 124,000          | 29,000               |
| Total cash and cash equivalents  | 380,219          | 297,207              |
| Time deposits with banks   | 21,951           | 396                  |
| Investment securities:   |                  |                      |
| Held-to-maturity (Market value of \$2,325 on June 30, 2007 and \$2,375 on December 31, 2006)             | 2,325            | 2,375                |
| Available-for-sale (Amortized cost of \$3,810,573 on June 30, 2007 and \$4,548,236 on December 31, 2006) | 3,768,993        | 4,488,078            |
| Total investment securities  | 3,771,318        | 4,490,453            |
| Loans, net of unearned discounts   | 5,127,584        | 5,034,810            |
| Less allowance for possible loan losses  | (66,938          | ) (64,537 )          |
| Net loans  | 5,060,646        | 4,970,273            |
| Bank premises and equipment, net   | 411,340          | 390,323              |
| Accrued interest receivable  | 54,518           | 57,288               |
| Other investments  | 309,801          | 345,988              |
| Identified intangible assets, net  | 34,166           | 34,358               |
| Goodwill, net  | 283,198          | 282,246              |
| Other assets   | 39,581           | 42,922               |
| Total assets   | \$ 10,366,738    | \$ 10,911,454        |

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|  | June 30,<br>2007 | December 31,<br>2006 |
|--|------------------|----------------------|
| <b>Liabilities and Shareholders' Equity</b>  |                  |                      |
| Liabilities:   |                  |                      |
| Deposits:  |                  |                      |
| Demand non-interest bearing  | \$ 1,459,623     | \$ 1,453,476         |
| Savings and interest bearing demand  | 2,353,327        | 2,204,451            |
| Time   | 3,326,379        | 3,331,991            |
| Total deposits   | 7,139,329        | 6,989,918            |
| Securities sold under repurchase agreements  | 968,396          | 706,335              |
| Other borrowed funds   | 1,066,414        | 2,095,576            |
| Junior subordinated deferrable interest debentures   | 242,051          | 210,908              |
| Other liabilities  | 76,311           | 66,661               |
| Total liabilities  | 9,492,501        | 10,069,398           |
| Commitments, Contingent Liabilities and Other Tax Matters (Note 10)  |                  |                      |
| Shareholders' equity:  |                  |                      |
| Common shares of \$1.00 par value. Authorized 275,000,000 shares; issued 95,279,649 shares on June 30, 2007 and 94,846,451 shares on December 31, 2006 | 95,280           | 86,224               |
| Surplus  | 142,205          | 138,247              |
| Retained earnings  | 883,720          | 861,251              |
| Accumulated other comprehensive loss   | (26,780)         | (40,390)             |
|  | 1,094,425        | 1,045,332            |
| Less cost of shares in treasury, 26,290,228 shares on June 30, 2007 and 25,643,564 shares on December 31, 2006   | (220,188)        | (203,276)            |
| Total shareholders' equity   | 874,237          | 842,056              |
| Total liabilities and shareholders' equity   | \$ 10,366,738    | \$ 10,911,454        |

See accompanying notes to consolidated financial statements.

## INTERNATIONAL BANCSHARES CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Income (Unaudited)

(Dollars in Thousands, except per share data)

|   | Three Months Ended<br>June 30, |                | Six Months Ended<br>June 30, |                |
|---|--------------------------------|----------------|------------------------------|----------------|
|   | 2007                           | 2006           | 2007                         | 2006           |
| <b>Interest income:</b>   |                                |                |                              |                |
| Loans, including fees   | \$ 112,723                     | \$ 97,202      | \$ 221,979                   | \$ 187,604     |
| Federal funds sold  | 821                            | 817            | 1,517                        | 2,194          |
| <b>Investment securities:</b>                                       |                                |                |                              |                |
| Taxable   | 45,782                         | 50,110         | 97,438                       | 99,366         |
| Tax-exempt  | 1,078                          | 1,144          | 2,209                        | 2,316          |
| Other interest income   | 2,004                          | 101            | 2,120                        | 212            |
| <b>Total interest income</b>  | <b>162,408</b>                 | <b>149,374</b> | <b>325,263</b>               | <b>291,692</b> |
| <b>Interest expense:</b>  |                                |                |                              |                |
| Savings deposits  | 13,695                         | 10,139         | 26,791                       | 19,043         |
| Time deposits   | 36,236                         | 29,421         | 71,273                       | 55,620         |
| Securities sold under repurchase agreements                         | 10,213                         | 7,676          | 18,535                       | 15,548         |
| Other borrowings  | 18,177                         | 24,728         | 45,382                       | 44,733         |
| Junior subordinated interest deferrable debentures                  | 4,526                          | 5,361          | 8,945                        | 10,385         |
| <b>Total interest expense</b>                                       | <b>82,847</b>                  | <b>77,325</b>  | <b>170,926</b>               | <b>145,329</b> |
| <b>Net interest income</b>  | <b>79,561</b>                  | <b>72,049</b>  | <b>154,337</b>               | <b>146,363</b> |
| Provision for possible loan losses                                  | 1,198                          | 82             | 2,559                        | 679            |
| <b>Net interest income after provision for possible loan losses</b> | <b>78,363</b>                  | <b>71,967</b>  | <b>151,778</b>               | <b>145,684</b> |
| <b>Non-interest income:</b>   |                                |                |                              |                |
| Service charges on deposit accounts                                 | 21,058                         | 21,517         | 41,283                       | 42,515         |
| <b>Other service charges, commissions and fees</b>                  |                                |                |                              |                |
| Banking   | 8,843                          | 7,301          | 16,961                       | 14,229         |
| Non-banking   | 3,887                          | 4,022          | 8,831                        | 8,011          |
| Gain (loss) on investment securities transactions, net              | 2,257                          | 410            | (14,910)                     | 410            |
| Other investments, net  | 4,785                          | 7,384          | 10,568                       | 11,957         |
| Other income  | 6,436                          | 6,388          | 10,774                       | 10,517         |
| <b>Total non-interest income</b>                                    | <b>47,266</b>                  | <b>47,022</b>  | <b>73,507</b>                | <b>87,639</b>  |

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|   | Three Months Ended<br>June 30,<br>2007 |                  | Six Months Ended<br>June 30,<br>2007 |                  |
|---|--|------------------|--------------------------------------|------------------|
|   |  | 2006             |                                      | 2006             |
| <b>Non-interest expense:</b>                    |  |                  |                                      |                  |
| Employee compensation and benefits              | \$ 31,962                              | \$ 30,152        | \$ 63,155                            | \$ 59,624        |
| Occupancy                                       | 8,303                                  | 6,506            | 15,343                               | 12,748           |
| Depreciation of bank premises and equipment     | 7,813                                  | 7,061            | 15,369                               | 13,805           |
| Professional fees                               | 2,791                                  | 2,539            | 5,469                                | 5,470            |
| Stationery and supplies                         | 1,490                                  | 1,343            | 2,971                                | 2,901            |
| Amortization of identified intangible assets    | 1,320                                  | 1,216            | 2,529                                | 2,433            |
| Advertising                                     | 3,169                                  | 3,088            | 6,420                                | 6,044            |
| Other   | 16,581                                 | 15,816           | 34,242                               | 43,553           |
| <b>Total non-interest expense</b>               | <b>73,429</b>                          | <b>67,721</b>    | <b>145,498</b>                       | <b>146,578</b>   |
| <b>Income before income taxes</b>               | <b>52,200</b>                          | <b>51,268</b>    | <b>79,787</b>                        | <b>86,745</b>    |
| Minority interest in consolidated subsidiaries  | (78                                    | )                |                                      |                  |
| Provision for income taxes                      | 17,688                                 | 16,610           | 26,553                               | 28,112           |
| <b>Net income</b>                               | <b>\$ 34,590</b>                       | <b>\$ 34,658</b> | <b>\$ 53,234</b>                     | <b>\$ 58,633</b> |
| <b>Basic earnings per common share:</b>         |  |                  |                                      |                  |
| Weighted average number of shares outstanding:  | 69,313,121                             | 69,399,418       | 69,314,282                           | 69,619,164       |
| Net income                                      | \$ .50                                 | \$ .50           | \$ .77                               | \$ .84           |
| <b>Fully diluted earnings per common share:</b> |  |                  |                                      |                  |
| Weighted average number of shares outstanding:  | 69,686,149                             | 70,117,255       | 69,820,072                           | 70,350,981       |
| Net income                                      | \$ .50                                 | \$ .49           | \$ .76                               | \$ .83           |

See accompanying notes to consolidated financial statements.

## INTERNATIONAL BANCSHARES CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income (Unaudited)

(Dollars in Thousands)

|  | Three Months Ended<br>June 30, |           | Six Months Ended<br>June 30, |           |
|--|--------------------------------|-----------|------------------------------|-----------|
|  | 2007                           | 2006      | 2007                         | 2006      |
| Net income   | \$ 34,590                      | \$ 34,658 | \$ 53,234                    | \$ 58,633 |
| Other comprehensive income (loss), net of tax  |                                |           |                              |           |
| Net unrealized holding (losses) gains on securities available for sale arising during period           | (6,815 )                       | (22,090 ) | 36,207                       | (23,053 ) |
| Reclassification adjustment for gains (losses) on securities available for sale included in net income |                                | 38        | (22,597 )                    | 38        |
| Comprehensive income   | \$ 27,775                      | \$ 12,606 | \$ 66,844                    | \$ 35,618 |

See accompanying notes to consolidated financial statements.

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## INTERNATIONAL BANCSHARES CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Cash Flows (Unaudited)

(Dollars in Thousands)

|   | Six Months Ended<br>June 30, |             |
|---|------------------------------|-------------|
|   | 2007                         | 2006        |
| Operating activities:   |                              |             |
| Net income  | \$ 53,234                    | \$ 58,633   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                              |             |
| Provision for possible loan losses  | 2,559                        | 679         |
| Amortization of loan premiums   | 233                          | 692         |
| Accretion of time deposits with banks   | (32)                         | )           |
| (Increase) decrease in loans held for sale  | (9,801)                      | ) 12,462    |
| Depreciation of bank premises and equipment                                       | 15,369                       | 13,805      |
| Gain on sale of bank premises and equipment                                       | (2,431)                      | ) (522)     |
| Depreciation and amortization of leased assets                                    | 1,083                        | 1,083       |
| Accretion of investment securities discounts                                      | (321)                        | ) (222)     |
| Amortization of investment securities premiums                                    | 2,076                        | 2,022       |
| Investment securities transactions, net   | 14,910                       | ) (410)     |
| Amortization of junior subordinated debenture discounts                           | 215                          | 294         |
| Amortization of identified intangible assets                                      | 2,529                        | 2,433       |
| Stock based compensation expense  | 369                          | 467         |
| Earnings from affiliates and other investments                                    | (5,038)                      | ) (7,809)   |
| Deferred tax benefit  | (349)                        | ) (2,823)   |
| Decrease (increase) in accrued interest receivable                                | 3,288                        | ) (3,133)   |
| Net decrease in other assets  | 2,347                        | 1,987       |
| Net increase in other liabilities   | 3,360                        | 17,220      |
| Net cash provided by operating activities   | 83,600                       | 96,858      |
| Investing activities:   |                              |             |
| Proceeds from maturities of securities  | 16,015                       | 5,270       |
| Proceeds from sales of available for sale securities                              | 739,069                      | 410         |
| Purchases of available for sale securities  | (484,958)                    | ) (575,121) |
| Principal collected on mortgage-backed securities                                 | 470,673                      | 405,949     |
| Maturities of time deposits with banks  | 25,084                       |             |
| Net increase in loans   | (50,760)                     | ) (217,729) |
| Purchases of other investments  | (5,412)                      | ) (1,866)   |
| Distributions of other investments  | 49,187                       | 4,771       |
| Purchases of bank premises and equipment  | (38,596)                     | ) (40,378)  |
| Proceeds from sale of bank premises and equipment                                 | 5,966                        | 9,421       |
| Adjustment to goodwill related to prior acquisition (Note 10)                     | 5,885                        |             |
| Cash paid in purchase transaction   | (23,470)                     | )           |
| Cash acquired in purchase transaction   | 30,772                       |             |
| Net provided by (used in) investing activities                                    | 739,455                      | (409,273)   |

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|   | Six Months Ended<br>June 30, |                   |
|---|------------------------------|-------------------|
|   | 2007                         | 2006              |
| <b>Financing activities:</b>  |                              |                   |
| Net (decrease) increase in non-interest bearing demand deposits         | \$ (23,191 )                 | \$ 15,668         |
| Net increase (decrease) in savings and interest bearing demand deposits | 92,255                       | (95,896 )         |
| Net (decrease) increase in time deposits                                | (37,654 )                    | 74,158            |
| Net increase (decrease) in securities sold under repurchase agreements  | 262,061                      | (92,797 )         |
| Net (decrease) increase in other borrowed funds                         | (1,029,409 )                 | 361,998           |
| Proceeds of issuance of long-term debt                                  | 53,609                       |                   |
| Principal payments of long term-debt                                    | (22,681 )                    |                   |
| Purchase of treasury stock  | (16,912 )                    | (23,171 )         |
| Proceeds from stock transactions  | 3,992                        | 1,038             |
| Payment of cash dividends   | (22,086 )                    | (22,113 )         |
| Payment of cash dividends in lieu of fractional shares                  | (27 )                        |                   |
| <b>Net cash (used in) provided by financing activities</b>              | <b>(740,043 )</b>            | <b>218,885</b>    |
| <b>Increase (decrease) in cash and cash equivalents</b>                 | <b>83,012</b>                | <b>(93,530 )</b>  |
| <b>Cash and cash equivalents at beginning of period</b>                 | <b>297,207</b>               | <b>458,118</b>    |
| <b>Cash and cash equivalents at end of period</b>                       | <b>\$ 380,219</b>            | <b>\$ 364,588</b> |
| <b>Supplemental cash flow information:</b>                              |                              |                   |
| Interest paid   | \$ 176,295                   | \$ 143,500        |
| Income taxes paid   | 29,981                       | 32,975            |
| Adjustment to goodwill arising from prior acquisition (Note 10)         | 2,076                        |                   |

See accompanying notes to consolidated financial statements.

**INTERNATIONAL BANCSHARES CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**(Unaudited)**

**Note 1 Basis of Presentation**

The accounting and reporting policies of International Bancshares Corporation ( Corporation ) and Subsidiaries (the Corporation and Subsidiaries collectively referred to herein as the Company ) conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, International Bank of Commerce, Laredo ( IBC ), Commerce Bank, International Bank of Commerce, Zapata, International Bank of Commerce, Brownsville and the Corporation s wholly-owned non-bank subsidiaries, IBC Subsidiary Corporation, IBC Life Insurance Company, IBC Trading Company, and IBC Capital Corporation, as well as the GulfStar Group in which the Company owns a controlling interest. All significant inter-company balances and transactions have been eliminated in consolidation. The consolidated financial statements are unaudited, but include all adjustments, which, in the opinion of management, are necessary for a fair presentation of the results of the periods presented. All such adjustments were of a normal and recurring nature. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto in the Company s latest Annual Report on Form 10-K. The consolidated statement of condition at December 31, 2006 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. Certain reclassifications have been made to make prior periods comparable.

The Company operates as one segment. The operating information used by the Company s chief executive officer for purposes of assessing performance and making operating decisions about the Company is the consolidated statements presented in this report. The Company has four active operating subsidiaries, namely, the bank subsidiaries, otherwise known as International Bank of Commerce, Laredo, Commerce Bank, International Bank of Commerce, Zapata and International Bank of Commerce, Brownsville. The Company applies the provisions of SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, in determining its reportable segments and related disclosures. None of the Company s other subsidiaries meets the 10% threshold for disclosure under SFAS No. 131.

All per share data presented has been restated to reflect the stock splits effected through stock dividends, Note 9.

On January 1, 2007, the Company changed its accounting policy related to accounting for contingencies in connection with the adoption of Financial Accounting Standards Board ( FASB ) Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement 109. See Note 10 Commitments, Contingent Liabilities and Other Tax Matters.

**Note 2 Acquisition**

On March 16, 2007, the Company completed its acquisition of Southwest First Community, Inc. ( Southwest Community ), a bank holding company with approximately \$133 million in assets that owned State Bank & Trust in Beeville, Texas and Commercial State Bank in Sinton, Texas. The transaction was pursuant to the Agreement and Plan of Merger dated December 1, 2006 (the Merger Agreement ). The Company paid consideration totaling \$23.5 million in cash.

**Note 3 Loans**

A summary of net loans, by loan type at June 30, 2007 and December 31, 2006 is as follows:

|  | <b>June 30,<br/>2007</b>      | <b>December 31,<br/>2006</b> |
|--|-------------------------------|------------------------------|
|  | <b>(Dollars in thousands)</b> |                              |
| Commercial, financial and agricultural | \$ 2,305,427                  | \$ 2,337,573                 |
| Real estate-mortgage                   | 751,812                       | 785,401                      |
| Real estate-construction               | 1,599,838                     | 1,404,186                    |
| Consumer                               | 174,546                       | 198,580                      |
| Foreign                                | 295,965                       | 309,144                      |
| <b>Total loans</b>                     | <b>5,127,588</b>              | <b>5,034,884</b>             |
| Unearned discount                      | (4 )                          | (74 )                        |
| <b>Loans, net of unearned discount</b> | <b>\$ 5,127,584</b>           | <b>\$ 5,034,810</b>          |

**Note 4 Allowance for Possible Loan Losses**

A summary of the transactions in the allowance for possible loan losses is as follows:

|  | <b>June 30,<br/>2007</b>      | <b>June 30,<br/>2006</b> |
|--|-------------------------------|--------------------------|
|  | <b>(Dollars in Thousands)</b> |                          |
| Balance at December 31,                    | \$ 64,537                     | \$ 77,796                |
| Losses charged to allowance                | (1,947 )                      | (11,607 )                |
| Recoveries credited to allowance           | 735                           | 668                      |
| Net losses charged to allowance            | (1,212 )                      | (10,939 )                |
| Provision charged to operations            | 2,559                         | 679                      |
| Allowance acquired in acquisition (Note 2) | 1,054                         |                          |
| Balance at June 30,                        | \$ 66,938                     | \$ 67,536                |

Impaired loans are those loans where it is probable that all amounts due according to contractual terms of the loan agreement will not be collected. The Company has identified these loans through its normal loan review procedures. Impaired loans are measured based on (1) the present value of expected future cash flows discounted at the loan's effective interest rate; (2) the loan's observable market price; or (3) the fair value of the collateral if the loan is collateral dependent. Substantially all of the Company's impaired loans are measured at the fair value of the collateral. In limited cases the Company may use other methods to determine the level of impairment of a loan if such loan is not collateral dependent.

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The following table details key information regarding the Company's impaired loans:

|   | June 30,<br>2007<br>(Dollars in Thousands) | December 31,<br>2006 |
|---|--|----------------------|
| Balance of impaired loans where there is a related allowance for loan loss  | \$ 19,724                                  | \$ 22,909            |
| Balance of impaired loans where there is no related allowance for loan loss |  |                      |
| <b>Total impaired loans</b>   | <b>\$ 19,724</b>                           | <b>\$ 22,909</b>     |
| Allowance allocated to impaired loans                                       | \$ 7,206                                   | \$ 7,171             |

The impaired loans included in the table above were primarily comprised of collateral dependent commercial loans, which have not been fully charged off. The average recorded investment in impaired loans was \$21,081,000 and \$25,684,000 for June 30, 2007 and December 31, 2006, respectively. The interest recognized on impaired loans was not significant.

Management of the Company recognizes the risks associated with these impaired loans. However, management's decision to place loans in this category does not necessarily mean that losses will occur.

The bank subsidiaries charge off that portion of any loan which management considers to represent a loss as well as that portion of any other loan which is classified as a loss by bank examiners. Commercial and industrial or real estate loans are generally considered by management to represent a loss, in whole or part, when an exposure beyond any collateral coverage is apparent and when no further collection of the loss portion is anticipated based on the borrower's financial condition and general economic conditions in the borrower's industry. Generally, unsecured consumer loans are charged-off when 90 days past due.

While management of the Company considers that it is generally able to identify borrowers with financial problems reasonably early and to monitor credit extended to such borrowers carefully, there is no precise method of predicting loan losses. The determination that a loan is likely to be uncollectible and that it should be wholly or partially charged-off as a loss is an exercise of judgment. Similarly, the determination of the adequacy of the allowance for possible loan losses can be made only on a subjective basis. It is the judgment of the Company's management that the allowance for possible loan losses at June 30, 2007 was adequate to absorb probable losses from loans in the portfolio at that date.

### Note 5 Stock Options

On April 1, 2005, the Board of Directors adopted the 2005 International Bancshares Corporation Stock Option Plan (the "2005 Plan"). The 2005 Plan replaced the 1996 International Bancshares Corporation Key Contributor Stock Option Plan (the "1996 Plan"). Under the 2005 Plan both qualified incentive stock options (ISOs) and non-qualified stock options (NQSOs) may be granted. Options granted may be exercisable for a period of up to 10 years from the date of grant, excluding ISOs granted to 10% shareholders, which may be exercisable for a period of up to only five years. As of June 30, 2007, 108,999 shares were available for future grants under the 2005 Plan.

Through June 30, 2007, the Company has granted non-qualified stock options exercisable for a total of 154,420 shares, adjusted for stock dividends, of Common Stock to certain employees of the GulfStar Group. The grants were not made under either the 1996 Plan or the 2005 Plan. The options are exercisable for a period of seven years and vest in equal increments over a period of five years. All options granted to the GulfStar Group employees had an option price of not less than the fair market value of the Common Stock on the date of grant. All options granted to the GulfStar Group employees have been exercised as of July 2007.

On January 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123R, (SFAS No. 123R), Share-Based Payment, (Revised 2004). SFAS No. 123R sets accounting requirements for share-based compensation to employees and non-employee directors, including employee stock purchase plans, and requires companies to recognize in the statement of operations the grant-date fair value of stock options and other equity-based compensation.

A summary of option activity under the stock option plans for the three months ended June 30, 2007 is as follows:

|  | Number of<br>options | Weighted<br>average<br>exercise<br>price | Weighted<br>average<br>remaining<br>contractual term<br>(years) | Aggregate<br>intrinsic<br>value (\$) |
|--|----------------------|--|---|--------------------------------------|
| Options outstanding at December 31, 2006                 | 1,515,965            | \$ 15.65                                 |   |                                      |
| Plus: Options granted                                    | 62,525               | 26.57                                    |   |                                      |
| Less:  |                      |  |   |                                      |
| Options exercised  | 433,356              | 9.18                                     |   |                                      |
| Options expired  |                      |  |   |                                      |
| Options forfeited  | 121,100              | 14.68                                    |   |                                      |
| Options outstanding at June 30, 2007                     | 1,024,034            | \$ 19.21                                 | 4.03  | \$ 7,115,000                         |
| Options fully vested and exercisable at<br>June 30, 2007 | 582,952              | \$ 13.83                                 | 2.23  | \$ 6,946,000                         |

Stock-based compensation expense included in the consolidated statements of income for the three and six months ended June 30, 2007 was approximately \$190,000 and \$369,000, respectively. As of June 30, 2007 there was approximately \$1,755,000, of total unrecognized stock-based compensation cost related to non-vested options granted under the Company plans that will be recognized over a weighted average period of 1.8 years.

#### Note 6 Investment Securities

The Company classifies debt and equity securities into one of three categories: held-to maturity, available-for-sale, or trading. Such classifications are reassessed for appropriate classification at each reporting date. Securities classified as held-to-maturity are carried at amortized cost for financial statement reporting, while securities classified as available-for-sale and trading are carried at their fair value. Unrealized holding gains and losses are included in net income for those securities classified as trading, while unrealized holding gains and losses related to those securities classified as available-for-sale are excluded from net income and reported net of tax as other comprehensive income (loss) and accumulated other comprehensive income (loss) until realized, or in the case of losses, when deemed other than temporary.

In the first quarter 2007, the Company wrote down approximately \$732.0 million of investment securities to fair value, which resulted in an impairment charge of approximately \$17.0 million. The write down was a result of the Company's strategic identification of certain investment securities that were sold in the second quarter of 2007 with the proceeds used to reduce Federal Home Loan Bank (FHLB) borrowings. The investments sold were certain hybrid mortgage backed securities with a coupon re-set date that exceeded 30 months and a weighted average yield to coupon re-set that was approximately 100 basis points less than the FHLB certificate of indebtedness short term-rate. The sale of the securities facilitated a repositioning of the balance sheet to a more neutral position in terms of interest rate risk and improved the Company's operating ratios.

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A summary of the investment securities held for investment and securities available for sale as reflected on the books of the Company is as follows:

|  | June 30,<br>2007<br>(Dollars in Thousands) | December 31,<br>2006 |
|--|--|----------------------|
| <b>U.S. Treasury securities</b>          |  |                      |
| Available-for-sale                       | \$ 1,308                                   | \$ 1,268             |
| <b>Mortgage-backed securities</b>        |  |                      |
| Available-for-sale                       | 3,662,070                                  | 4,376,284            |
| <b>States and political subdivisions</b> |  |                      |
| Available-for-sale                       | 90,062                                     | 95,897               |
| <b>Other</b>                             |  |                      |
| Held-to-maturity                         | 2,325                                      | 2,375                |
| Available-for-sale                       | 15,553                                     | 14,629               |
| <b>Total investment securities</b>       | <b>\$ 3,771,318</b>                        | <b>\$ 4,490,453</b>  |

### Note 7 Other Borrowed Funds

Other borrowed funds include Federal Home Loan Bank borrowings, which are short or long term, variable or fixed borrowings issued by the Federal Home Loan Bank of Dallas at the market price offered at the time of funding. These borrowings are secured by mortgage-backed investment securities and a portion of the Company's loan portfolio. At June 30, 2007, other borrowed funds totaled \$1,066,414,000, a decrease of 49.1% from \$2,095,576,000 at December 31, 2006. The decrease is attributable to the pay-down of borrowings due to the Company's sale of certain identified investment securities in the second quarter 2007.

### Note 8 Junior Subordinated Interest Deferrable Debentures

The Company has formed twelve statutory business trusts under the laws of the State of Delaware, for the purpose of issuing trust preferred securities. As part of the Local Financial Corporation (LFIN) acquisition, the Company acquired three additional statutory business trusts previously formed by LFIN for the purpose of issuing trust preferred securities. The twelve statutory business trusts formed by the Company and the three business trusts acquired in the LFIN transaction (the Trusts) have each issued Capital and Common Securities and invested the proceeds thereof in an equivalent amount of junior subordinated debentures (the Debentures) issued by the Company or LFIN, as appropriate. The Company has succeeded to the obligations of LFIN under the LFIN Debentures, which have an outstanding principal balance of \$20,620,000. The Debentures will mature on various dates; however the Debentures may be redeemed at specified prepayment prices, in whole or in part after the optional redemption dates specified in the respective indentures or in whole upon the occurrence of any one of certain legal, regulatory or tax events specified in respective indentures. As of August 1, 2007, the Debentures issued by four of the trusts formed by the Company and the Debentures issued by two of the trusts formed by LFIN have been redeemed by the Company. As of June 30, 2007, the principal amount of debentures outstanding totaled \$242,051,000.

On April 22, 2007, pursuant to the Indenture dated as of April 10, 2002, between the Company and Wilmington Trust Company, as Trustee, the Company redeemed all of its Floating Rate Junior Subordinated Debt Securities (the Debt Securities), issued to International Bancshares Capital Trust IV (Trust IV) at a redemption price equal to approximately \$22,681,000, which includes accrued interest to, but not including, the redemption date.

In accordance with the Amended and Restated Declaration of Trust dated as of April 10, 2002 between the Company and Wilmington Trust Company, as Institutional Trustee, the proceeds from the redemption of the Debt Securities were used to simultaneously redeem an equal amount of Trust IV Floating Rate Capital Securities and Floating Rate Common Securities issued by Trust IV.

On April 13, 2007, the Company formed International Bancshares Corporation Trust XI ( Trust XI ), its eleventh statutory business trust formed under the laws of the State of Delaware, for the purpose of issuing trust preferred securities. On April 19, 2007, Trust XI issued \$32,000,000 of Capital Securities. The Capital Securities accrue interest for the first five years at a fixed rate of 6.82% and subsequently at a floating rate of 1.62% over the three month LIBOR, and interest is payable quarterly beginning July 1, 2007. The Trust XI Capital Securities will mature on July 1, 2037, however, the Capital Securities may be redeemed at specified prepayment prices (a) in whole or in part on any interest payment date on or after July 1, 2012, or (b) in whole or in part within 90 days upon the occurrence of certain legal, regulatory, or tax events. The Capital Securities are subordinated and junior in right of payment to all present and future senior indebtedness of the Company. The Company has fully and unconditionally guaranteed the obligation of Trust XI with respect to the Capital Securities. The Company has the right, unless an Event of Default has occurred and is continuing, to defer payment of interest on the Capital Securities for up to twenty consecutive quarterly periods. The redemption prior to maturity of any of the Capital Securities may require the prior approval of the Federal Reserve and/or other regulatory agencies.

On June 11, 2007, the Company formed International Bancshares Corporation Trust XII ( Trust XII ), its twelfth statutory business trust formed under the laws of the State of Delaware, for the purpose of issuing trust preferred securities. On June 26, 2007, Trust XII issued \$20,000,000 of Capital Securities. The Capital Securities accrue interest for the first five years at a fixed rate of 6.851% and subsequently at a floating rate of 1.45% over the three month LIBOR, and interest is payable quarterly beginning September 1, 2007. The Trust XII Capital Securities will mature on September 1, 2037; however, the Capital Securities may be redeemed at specified prepayment prices (a) in whole or in part on any interest payment date on or after September 1, 2012, or (b) in whole or in part within 90 days upon the occurrence of certain legal, regulatory, or tax events. The Capital Securities are subordinated and junior in right of payment to all present and future senior indebtedness of the Company. The Company has fully and unconditionally guaranteed the obligation of Trust XII with respect to the Capital Securities. The Company has the right, unless an Event of Default has occurred and is continuing, to defer payment of interest on the Capital Securities for up to twenty consecutive quarterly periods. The redemption prior to maturity of any of the Capital Securities may require the prior approval of the Federal Reserve and/or other regulatory agencies.

The Debentures are subordinated and junior in right of payment to all present and future senior indebtedness (as defined in the respective indentures) of the Company, and are *pari passu* with one another. The interest rate payable on, and the payment terms of the Debentures are the same as the distribution rate and payment terms of the respective issues of Capital and Common Securities issued by the Trusts. The Company has fully and unconditionally guaranteed the obligations of each of the Trusts with respect to the Capital and Common Securities. The Company has the right, unless an Event of Default (as defined in the Indentures) has occurred and is continuing, to defer payment of interest on the Debentures for up to ten consecutive semi-annual periods on Trusts I, IV and LFIN Trust II and for up to twenty consecutive quarterly periods on Trusts V, VI, VII, VIII, IX, X, XI and XII and LFIN Trust III. If interest payments on any of the Debentures are deferred, distributions on both the Capital and Common Securities related to that Debenture would also be deferred. The redemption prior to maturity of any of the Debentures may require the prior approval of the Federal Reserve and/or other regulatory bodies.

For financial reporting purposes, the Trusts are treated as investments of the Company and not consolidated in the consolidated financial statements. Although the Capital Securities issued by each of the Trusts are not included as a component of shareholders' equity on the consolidated statement of condition, the Capital Securities are treated as capital for regulatory purposes. Specifically, under applicable regulatory guidelines, the Capital Securities issued by the Trusts qualify as Tier 1 capital up to a maximum of 25% of Tier 1 capital on an aggregate basis. Any amount that exceeds the 25% threshold would qualify as Tier 2 capital. For June 30, 2007, the total \$242,051,000, of the Capital Securities outstanding qualified as Tier 1 capital.

In March 2005, the Federal Reserve Board issued a final rule that would continue to allow the inclusion of trust preferred securities in Tier 1 capital, but with stricter quantitative limits. Under the final rule, after a transition period ending March 31, 2009, the aggregate amount of trust preferred securities and certain other capital elements would be limited to 25% of Tier 1 capital elements, net of goodwill, less any associated deferred tax liability. The amount of trust preferred securities and certain other elements in excess of the limit could be included in Tier 2 capital, subject to restrictions. Bank holding companies with significant international operations will be expected to limit trust preferred securities to 15% of Tier 1 capital elements, net of goodwill; however, they may include qualifying mandatory convertible preferred securities up to the 25% limit. The Company believes that substantially all of the current trust preferred securities will be included in Tier 1 capital after the five-year transition period ending March 31, 2009.

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The following table illustrates key information about each of the Capital and Common Securities and their interest rate at June 30, 2007:

|                | <b>Junior<br/>Subordinated<br/>Deferrable<br/>Interest<br/>Debentures<br/>(in thousands)</b> | <b>Repricing<br/>Frequency</b> | <b>Interest Rate</b> | <b>Interest Rate<br/>Index</b> | <b>Maturity Date</b> | <b>Optional<br/>Redemption<br/>Date</b> |
|----------------|--|--------------------------------|----------------------|--------------------------------|----------------------|---|
| Trust I        | \$ 10,269  | Fixed                          | 10.18%               | Fixed                          | June 2031            | June 2011                               |
| Trust V        | \$ 20,619  | Semi-Annually                  | 9.01%                | LIBOR + 3.65                   | July 2032            | July 2007                               |
| Trust VI       | \$ 25,737  | Semi-Annually                  | 8.81%                | LIBOR + 3.45                   | November 2032        | November 2007                           |
| Trust VII      | \$ 10,310  | Quarterly                      | 8.61%                | LIBOR + 3.25                   | April 2033           | April 2008                              |
| Trust VIII     | \$ 25,628  | Quarterly                      | 8.41%                | LIBOR + 3.05                   | October 2033         | October 2008                            |
| Trust IX       | \$ 41,238  | Fixed                          | 7.10%                | Fixed                          | October 2036         | October 2011                            |
| Trust X        | \$ 34,021  | Fixed                          | 6.66%                | Fixed                          | February 2037        | February 2012                           |
| Trust XI       | \$ 32,990  | Fixed                          | 6.82%                | Fixed                          | July 2037            | July 2012                               |
| Trust XII      | \$ 20,619  | Fixed                          | 6.85%                | Fixed                          | September 2037       | September 2012                          |
| LFIN Trust II  | \$ 10,310  | Semi-Annually                  | 9.03%                | LIBOR + 3.625                  | July 2032            | July 2007                               |
| LFIN Trust III | \$ 10,310  | Quarterly                      | 8.81%                | LIBOR + 3.45                   | November 2032        | November 2007                           |
|                | \$ 242,051   |                                |                      |                                |                      |   |

- (1) LFIN Trust II was redeemed in July 2007, pursuant to the Indenture
- (2) Trust V was redeemed in July 2007, pursuant to the Indenture
- (3) Trust IX, X, XI and XII accrue interest at a fixed rate for the first five years, then floating at LIBOR + 1.62%, 1.65%, 1.62% and 1.45% thereafter, respectively.

**Note 9 Common Stock and Dividends**

Cash dividends of \$.35 per share were paid on May 1, 2007 and May 1, 2006 to all holders of record on April 16, 2007 and April 17, 2006, respectively. A 10% stock dividend was paid on June 8, 2007 to all holders of record on May 21, 2007.

The Company expanded its formal stock repurchase program on May 3, 2007. Under the expanded stock repurchase program, the Company is authorized to repurchase up to \$225,000,000 of its common stock through December 2008. Stock repurchases may be made from time to time, on the open market or through private transactions. Shares repurchased in this program will be held in treasury for reissue for various corporate purposes, including employee stock option plans. As of August 1, 2007, a total of 5,680,022 shares had been repurchased under this program at a cost of \$201,292,000. Stock repurchases are reviewed quarterly at the Company's Board of Directors meetings and the Board of Directors has stated that the aggregate investment in treasury stock should not exceed \$245,973,000. In the past, the Board of Directors has increased previous caps on treasury stock once they were met, but there are no assurances that an increase of the \$245,973,000 cap will occur in the future. As of August 1, 2007, the Company has approximately \$222,265,000 invested in treasury shares, which amount has been accumulated since the inception of the Company.

**Note 10 Commitments and Contingent Liabilities and Other Tax Matters**

The Company is involved in various legal proceedings that are in various stages of litigation. Some of these actions allege lender liability claims on a variety of theories and claim actual and punitive damages. The Company has determined, based on discussions with its counsel that any loss in such actions, individually or in the aggregate, is remote or the damages sought, even if fully recovered, would not be considered material to the consolidated financial position or results of operations of the Company. However, many of these matters are in various stages of proceedings and further developments could cause management to revise its assessment of these matters.

The Company's lead bank subsidiary has invested in partnerships, which have entered into several lease-financing transactions. The lease-financing transactions in two of the partnerships have been examined by the Internal Revenue Service ( IRS ). In both partnerships, the lead bank subsidiary was the owner of a ninety-nine percent (99%) limited partnership interest. The IRS has issued separate Notice of Final Partnership Administrative Adjustments ( FPAA ) to the partnerships and on September 25, 2001, and January 10, 2003, the Company filed lawsuits contesting the adjustments asserted in the FPAAs.

Prior to filing the lawsuits the Company was required to deposit the estimated tax due of approximately \$4,083,000 with respect to the first FPAA and \$7,710,606 with respect to the second FPAA with the IRS pursuant to the Internal Revenue Code. If it is determined that the amount of tax due, if any, related to the lease-financing transactions is less than the amount of the deposits, the remaining amount of the deposits would be returned to the Company.

In order to curtail the accrual of additional interest related to the disputed tax benefits and because interest rates were unfavorable, on March 7, 2003, the Company submitted to the IRS a total of approximately \$13.7 million, which constitutes the interest that would have accrued based on the adjustments proposed in the FPAAs related to both of the lease-financing transactions. If it is determined that the amount of interest due, if any, related to the lease-financing transactions is less than the approximate \$13.7 million, the remaining amount of the prepaid interest would be refunded to the Company, plus interest thereon.

Beginning August 29, 2005, IBC proceeded to litigate one of the partnership tax cases in the Federal District Court in San Antonio, Texas. The case was tried over nine days beginning August 29, 2005. On March 31, 2006, the trial court rendered a judgment against the Company on the first FPAA. IBC timely filed its notice of appeal to the Fifth Circuit Court of Appeals. All appellate briefs have been filed the appeal will be argued on August 8, 2007. The other partnership tax case has been stayed by the same Court during the pendency of the appeal.

The Company, through December 31, 2005, had previously expensed approximately \$12.0 million connection with the lawsuits. Because of the above-referenced trial court judgment against the Company on the first FPAA, the uncertainty of the outcome at the appellate level, and the similarity between the two FPAAs, the Company, through December 31, 2006, has expensed an additional \$13.7 million, approximately. The resultant approximately \$25.7 million expensed is the total of the tax adjustments due and the interest due on such adjustments for both FPAAs. Management intends to continue to appeal the judgment in the first case and will continue to evaluate the merits of each lawsuit and make any appropriate revisions to the amounts, as deemed necessary.

As part of the LFIN acquisition, two tax matters were transferred to the Company. The first relates to deductions taken on amended returns filed by LFIN during 2003 for the tax years ended June 30, 1999 through December 31, 2001. The refunds requested on the amended returns amounted to approximately \$7.0 million. At December 31, 2003, LFIN had received approximately \$2.0 million of the total refund requested. Because all the refunds are under review by the IRS, LFIN had established a reserve equal to the \$2.0 million received and did not recognize any benefit for the remaining \$5.0 million. The second tax contingency reserve of \$7.0 million was resolved with the IRS in September 2006 and as a result, the second tax contingency reserve is no longer required. The reserve was applied to the goodwill acquired as part of the LFIN acquisition. During the first quarter of 2007, the Company favorably resolved the issues with the IRS on the first tax contingency for approximately \$7.0 million plus interest accrued thereon. The Company has applied the refund, including interest accrued prior to the LFIN acquisition, to the goodwill that resulted from the LFIN acquisition. The Company has booked the remaining portion of the interest accrued on the tax matter subsequent to the LFIN acquisition to earnings.

In June 2006, the Financial Accounting Standards Board issued Financial Interpretation No. 48, ( FIN 48 ), Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109, Accounting for Income Taxes. FIN 48 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. FIN 48 also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized no change in the liability for unrecognized tax benefits, thus, there was no change to the January 1, 2007 retained earnings balance. The total amount of unrecognized tax benefits at January 1, 2007 was \$32.5 million, of which \$11.8 million would impact the Company's effective tax rate, if recognized.

The Company recognizes interest accrued related to unrecognized tax benefits in operating expenses and penalties in income tax expense, which is consistent with the recognition of these items in prior reporting periods. As of January 1, 2007 the Company recorded no additional reserve to the existing \$13.6 million liability for the payment of interest and penalties on issues under litigation. The IRS has assessed approximately \$11.8 million plus interest of \$13.6 million on the issues under litigation. The Company does not anticipate any significant changes to the unrecognized tax benefits in the next twelve months. The Company files income tax returns in the U.S. federal jurisdiction and the State of Oklahoma. The Company is not subject to examination by any taxing authority for any tax years prior to 2003.

#### **Note 11 Capital Ratios**

The Company had a leverage ratio of 7.99% and 7.36%, risk-weighted Tier 1 capital ratio of 12.99% and 12.49% and risk-weighted total capital ratio of 14.14% and 13.61% at June 30, 2007 and December 31, 2006, respectively. The identified intangibles and goodwill of \$317,364,000 as of June 30, 2007, recorded in connection with the acquisitions made by the Company, are deducted from the sum of core capital elements when determining the capital ratios of the Company. The Company actively monitors the regulatory capital ratios to ensure that the Company's bank subsidiaries are well capitalized under the regulatory framework.

In March 2005, the Federal Reserve Board issued a final rule that would continue to allow the inclusion of trust preferred securities in Tier 1 capital, but with stricter quantitative limits. Under the final rule, after a five-year transition period ending March 31, 2009, the aggregate amount of trust preferred securities and certain other capital elements would be limited to 25% of Tier 1 capital elements, net of goodwill, less any associated deferred tax liability. The amount of trust preferred securities and certain other elements in excess of the limit could be included in Tier 2 capital, subject to restrictions. Bank holding companies with significant international operations will be expected to limit trust preferred securities to 15% of Tier 1 capital elements, net of goodwill; however, they may include qualifying mandatory convertible preferred securities up to the 25% limit.

**Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Special Cautionary Notice Regarding Forward Looking Information**

Certain matters discussed in this report, excluding historical information, include forward-looking statements, within the meaning of Section 27A of the Securities Exchange Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created by these sections. Although the Company believes such forward-looking statements are based on reasonable assumptions, no assurance can be given that every objective will be reached. The words estimate, expect, intend, believe and project, as well as other words or expressions of a similar meaning are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this report. Such statements are based on current expectations, are inherently uncertain, are subject to risks and should be viewed with caution. Actual results and experience may differ materially from the forward-looking statements as a result of many factors.

Factors that could cause actual results to differ materially from any results that are projected, forecasted, estimated or budgeted by the Company in forward-looking statements include, among others, the following possibilities:

- Changes in interest rates and market prices, which could reduce the Company's net interest margins, asset valuations and expense expectations.
- Changes in the capital markets utilized by the Company and its subsidiaries, including changes in the interest rate environment that may reduce margins.
- Changes in state and/or federal laws and regulations to which the Company and its subsidiaries, as well as their customers, competitors and potential competitors, are subject, including, without limitation, changes in the accounting, tax and regulatory treatment of trust preferred securities, as well as changes in banking, tax, securities, insurance and employment laws and regulations.
- Changes in U.S. - Mexico trade, including, without limitation, reductions in border crossings and commerce resulting from the Homeland Security Programs called US-VISIT, which is derived from Section 110 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996.
- The loss of senior management or operating personnel.
- Increased competition from both within and outside the banking industry.
- Changes in local, national and international economic business conditions that adversely affect the Company's customers and their ability to transact profitable business with the Company, including the ability of its borrowers to repay their loans according to their terms or a change in the value of the related collateral.
- The timing, impact and other uncertainties of the Company's potential future acquisitions including the Company's ability to identify suitable potential future acquisition candidates, the success or failure in the integration of their operations and the Company's ability to maintain its current branch network and to enter new markets successfully and capitalize on growth opportunities.
- Changes in the Company's ability to pay dividends on its Common Stock.
- The effects of the litigation and proceedings pending with the Internal Revenue Service regarding the Company's lease financing transactions.
- Additions to the Company's loan loss allowance as a result of changes in local, national or international conditions which adversely affect the Company's customers.

- Political instability in the United States and Mexico.
- Technological changes.
- Acts of war or terrorism.
- Natural disasters.
- The effect of changes in accounting policies and practices as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standards setters.

It is not possible to foresee or identify all such factors. The Company makes no commitment to update any forward-looking statement, or to disclose any facts, events or circumstances after the date hereof that may affect the accuracy of any forward-looking statement, unless required by law.

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## Overview

The Company, which is headquartered in Laredo, Texas, with more than 230 facilities and more than 380 ATMs, provides banking services for commercial, consumer and international customers of South, Central and Southeast Texas and the State of Oklahoma. The Company is one of the largest independent commercial bank holding companies headquartered in Texas. The Company, through its bank subsidiaries, is in the business of gathering funds from various sources and investing those funds in order to earn a return. The Company either directly or through a bank subsidiary owns two insurance agencies, a broker/dealer and a majority interest in an investment banking unit that owns a broker/dealer. The Company's primary earnings come from the spread between the interest earned on interest-bearing assets and the interest paid on interest-bearing liabilities. In addition, the Company generates income from fees on products offered to commercial, consumer and international customers.

The Company is very active in facilitating trade along the United States border with Mexico. The Company does a large amount of business with customers domiciled in Mexico. Deposits from persons and entities domiciled in Mexico comprise a large and stable portion of the deposit base of the Company's bank subsidiaries. The Company also serves the growing Hispanic population through the Company's facilities located throughout South, Central and Southeast Texas and the State of Oklahoma.

Expense control is an essential element in the Company's long-term profitability. As a result, one of the key ratios the Company monitors is the efficiency ratio, which is a measure of non-interest expense to net interest income plus non-interest income. The Company monitors this ratio over time to assess the Company's efficiency relative to its peers and whether the Company is being productive with its long term goals of providing superior returns to the Company's shareholders. The first quarter of 2007 was negatively affected by an impairment charge of \$13.1 million, after tax, arising from a charge on certain investment securities. This impairment charge negatively affected the efficiency ratio but does not necessarily reflect a long-term negative trend. The first quarter of 2006 was negatively affected by a \$8.9 million, net of tax expense recognized as part of the tax litigation. Additionally, the Company's efficiency ratio has been negatively impacted over the last few years because of the Company's aggressive branch expansion which has added 57 branches in 2006 and the first half of 2007. During rapid expansion periods, the Company's efficiency ratio will suffer but the long-term benefits of the expansion should be realized in future periods and the benefits should positively impact the efficiency ratio in future periods.

## Results of Operations

### Summary

#### Consolidated Statements of Condition Information

|  | June 30, 2007<br>(Dollars in Thousands) | December 31, 2006 | Percent Increase<br>(Decrease) |
|--|---|-------------------|--------------------------------|
| Assets   | \$ 10,366,738                           | \$ 10,911,454     | (5.0)%                         |
| Net loans  | 5,060,646                               | 4,970,273         | 1.8                            |
| Deposits   | 7,139,329                               | 6,989,918         | 2.1                            |
| Other borrowed funds                               | 1,066,414                               | 2,095,576         | (49.1)                         |
| Junior subordinated deferrable interest debentures | 242,051                                 | 210,908           | 14.8                           |
| Shareholders' equity                               | 874,237                                 | 842,056           | 3.8                            |

**Consolidated Statements of Income Information**

|  | Three Months Ended                 |            | Percent<br>Increase<br>(Decrease) | Six Months Ended                   |            | Percent<br>Increase<br>(Decrease) |    |
|--|------------------------------------|------------|-----------------------------------|------------------------------------|------------|-----------------------------------|----|
|  | June 30,<br>(Dollars in Thousands) |            |                                   | June 30,<br>(Dollars in Thousands) |            |                                   |    |
|  | 2007                               | 2006       |                                   | 2007                               | 2006       |                                   |    |
| Interest income                                  | \$ 162,408                         | \$ 149,374 | 8.7                               | % \$ 325,263                       | \$ 291,692 | 11.5                              | %  |
| Interest expense                                 | 82,847                             | 77,325     | 7.1                               | 170,926                            | 145,329    | 17.6                              |    |
| Net interest income                              | 79,561                             | 72,049     | 10.4                              | 154,337                            | 146,363    | 5.4                               |    |
| Provision for possible loan losses               | 1,198                              | 82         | 1,361.0                           | 2,559                              | 679        | 276.9                             |    |
| Non-interest income                              | 47,266                             | 47,022     | 0.5                               | 73,507                             | 87,639     | (16.1)                            | )  |
| Non-interest expense                             | 73,429                             | 67,721     | 8.4                               | 145,498                            | 146,578    | (0.7)                             | )  |
| Net income                                       | 34,590                             | 34,658     | (0.2)                             | ) 53,234                           | 58,633     | (9.2)                             | )  |
| Per common share (adjusted for stock dividends): |                                    |            |                                   |                                    |            |                                   |    |
| Basic  | \$ .50                             | \$ .50     | 0                                 | % \$ .77                           | \$ .84     | (8.3)                             | )% |
| Diluted  | .50                                | .49        | 2.0                               | .76                                | .83        | (8.4)                             | )  |

**Net Income**

Net income for the first and second quarter of 2007 declined by 0.2% as compared to the same period in 2006. Net income for the first six months of 2007 was negatively impacted by an impairment charge of \$13.1 million, after tax, on certain investments. A significant portion of the impairment charge is a result of the Company's strategic identification of certain investment securities that were sold in the second quarter of 2007 with the proceeds from the sales used to reduce Federal Home Loan Bank (FHLB) borrowings. Net income for the same period was positively affected by the sale of the securities, which generated gains of \$1.5 million, after tax. The investments sold were certain hybrid mortgage backed securities with a coupon re-set date that exceeded 30 months and a weighted average yield to coupon re-set that was approximately 100 basis points less than the FHLB certificate of indebtedness short-term rate. The sale of the securities facilitated a re-positioning of the balance sheet to a more neutral position in terms of interest rate risk and also improved operating ratios.

Net income for the first six months of 2006 was negatively impacted by a \$8.9 million, net of tax, charge to operations as a result of the loss of a IRS tax lawsuit that was litigated during the third quarter of 2005 in the Federal District Court in San Antonio, Texas and relates to certain leasing transactions previously discussed in Note 17 of the Notes to Consolidated Financial Statements set forth in the Company's 2006 Annual Report. Because of the trial court judgment, uncertainty of the outcome at the appellate level and the similarity between the litigated lawsuit and one that is pending, the Company took the \$8.9 million charge, net of tax.

**Net Interest Income**

|  | Three Months Ended         |                  | Percent<br>Increase<br>(Decrease) | Six Months Ended           |                   | Percent<br>Increase<br>(Decrease) |          |
|--|----------------------------|------------------|-----------------------------------|----------------------------|-------------------|-----------------------------------|----------|
|  | June 30,<br>(in Thousands) |                  |                                   | June 30,<br>(in Thousands) |                   |                                   |          |
|  | 2007                       | 2006             |                                   | 2007                       | 2006              |                                   |          |
| <b>Interest income:</b>                            |                            |                  |                                   |                            |                   |                                   |          |
| Loans, including fees                              | \$ 112,723                 | \$ 97,202        | 16.0                              | % \$ 221,979               | \$ 187,604        | 18.3                              | %        |
| Federal funds sold                                 | 821                        | 817              | 0.5                               | 1,517                      | 2,194             | (30.9)                            | )        |
| <b>Investment securities:</b>                      |                            |                  |                                   |                            |                   |                                   |          |
| Taxable  | 45,782                     | 50,110           | (8.6)                             | ) 97,438                   | 99,366            | (1.9)                             | )        |
| Tax-exempt   | 1,078                      | 1,144            | (5.8)                             | ) 2,209                    | 2,316             | (4.6)                             | )        |
| Other interest income                              | 2,004                      | 101              | 1,884.2                           | 2,120                      | 212               | 900.0                             |          |
| <b>Total interest income</b>                       | <b>162,408</b>             | <b>149,374</b>   | <b>8.7</b>                        | <b>325,263</b>             | <b>291,692</b>    | <b>11.5</b>                       |          |
| <b>Interest expense:</b>                           |                            |                  |                                   |                            |                   |                                   |          |
| Savings deposits                                   | 13,695                     | 10,139           | 35.1                              | 26,791                     | 19,043            | 40.7                              |          |
| Time deposits                                      | 36,236                     | 29,421           | 23.2                              | 71,273                     | 55,620            | 28.1                              |          |
| Securities sold under repurchase agreements        | 10,213                     | 7,676            | 33.1                              | 18,535                     | 15,548            | 19.2                              |          |
| Other borrowings                                   | 18,177                     | 24,728           | (26.5)                            | ) 45,382                   | 44,733            | 1.5                               |          |
| Junior subordinated interest deferrable debentures | 4,526                      | 5,361            | (15.6)                            | ) 8,945                    | 10,385            | (13.9)                            | )        |
| <b>Total interest expense</b>                      | <b>82,847</b>              | <b>77,325</b>    | <b>7.1</b>                        | <b>170,926</b>             | <b>145,329</b>    | <b>17.6</b>                       |          |
| <b>Net interest income</b>                         | <b>\$ 79,561</b>           | <b>\$ 72,049</b> | <b>(10.4)</b>                     | <b>)% \$ 154,337</b>       | <b>\$ 146,363</b> | <b>5.4</b>                        | <b>%</b> |

Net interest income is the spread between income on interest earning assets, such as loans and securities, and the interest expense on liabilities used to fund those assets, such as deposits, repurchase agreements and funds borrowed. Net interest income is the Company's largest source of revenue. Net interest income is affected by both changes in the level of interest rates and changes in the amount and composition of interest earning assets and interest bearing liabilities.

As part of its strategy to manage interest rate risk, the Company strives to manage both assets and liabilities so that interest sensitivities match. One method of calculating interest rate sensitivity is through gap analysis. A gap is the difference between the amount of interest rate sensitive assets and interest rate sensitive liabilities that re-price or mature in a given time period. Positive gaps occur when interest rate sensitive assets exceed interest rate sensitive liabilities, and negative gaps occur when interest rate sensitive liabilities exceed interest rate sensitive assets. A positive gap position in a period of rising interest rates should have a positive effect on net interest income as assets will re-price faster than liabilities. Conversely, net interest income should contract somewhat in a period of falling interest rates. Management can quickly change the Company's interest rate position at any given point in time as market conditions dictate. Additionally, interest rate changes do not affect all categories of assets and liabilities equally or at the same time. Analytical techniques employed by the Company to supplement gap analysis include simulation analysis to quantify interest rate risk exposure. The gap analysis prepared by management is reviewed by the Investment Committee of the Company twice a year (see table on page 25 for the June 30, 2007 gap analysis). Management currently believes that the Company is properly positioned for interest rate changes; however if management determines at any time that the Company is not properly positioned, it will strive to adjust the interest rate sensitive assets and liabilities in order to manage the effect of interest rate changes.

## Non-Interest Income

|   | Three Months Ended<br>June 30,<br>(in Thousands) |                  | Percent<br>Increase<br>(Decrease) | Six Months Ended<br>June 30,<br>(in Thousands) |                  | Percent<br>Increase<br>(Decrease) |
|---|--|------------------|-----------------------------------|--|------------------|-----------------------------------|
|   | 2007   | 2006             |                                   | 2007   | 2006             |                                   |
| Service charges on deposit accounts         | \$ 21,058  | \$ 21,517        | (2.1 )%                           | \$ 41,283                                      | \$ 42,515        | (2.9 )%                           |
| Other service charges, commissions and fees |  |                  |                                   |  |                  |                                   |
| Banking                                     | 8,843  | 7,301            | 21.1                              | 16,961   | 14,229           | 19.2                              |
| Non-banking                                 | 3,887  | 4,022            | (3.4 )                            | 8,831  | 8,011            | 10.2                              |
| Investment securities transactions, net     | 2,257  | 410              | 450.5                             | (14,910 )                                      | 410              | (3,736.6 )                        |
| Other investments, net                      | 4,785  | 7,384            | (35.2 )                           | 10,568   | 11,957           | (11.6 )                           |
| Other income                                | 6,436  | 6,388            | 0.8                               | 10,774   | 10,517           | 2.4                               |
| <b>Total non-interest income</b>            | <b>\$ 47,266</b>                                 | <b>\$ 47,022</b> | <b>0.5</b>                        | <b>% \$ 73,507</b>                             | <b>\$ 87,639</b> | <b>(16.1 )%</b>                   |

The decrease in investment securities transactions can be attributed to a \$17.0 million impairment charge recorded in connection with certain investment securities identified for sale in the first quarter 2007, offset by gains of \$2.3 million in the second quarter 2007, when the securities were sold. The impairment charge is a result of the Company's strategic identification of certain investment securities sold in the second quarter 2007 with the proceeds from the sales used to reduce Federal Home Loan Bank ( FHLB ) borrowings. The investments sold were certain hybrid mortgage backed securities with a coupon re-set date that exceeded 30 months and a weighted average yield to coupon re-set that was approximately 100 basis points less than the FHLB certificate of indebtedness short-term rate. The sale of the securities facilitated a re-positioning of the balance sheet to a more neutral position in terms of interest rate risk and improved the Company's operating ratios. As a result of this decision, the Company marked the securities to market. The increase in banking service charges, commissions and fees can be attributed to surcharge and interchange income for use of automated teller machines (ATM) and increased debit card usage by customers.

## Non-Interest Expense

|   | Three Months Ended<br>June 30,<br>(in Thousands) |                   | Percent<br>Increase<br>(Decrease) | Six Months Ended<br>June 30,<br>(in Thousands) |   | Percent<br>Increase<br>(Decrease) |
|---|--|-------------------|-----------------------------------|--|---|-----------------------------------|
|   | 2007   | 2006              |                                   | (66,570)                                       | B |                                   |
|   |  |                   |                                   | (15,670)                                       | B |                                   |
|   |  |                   |                                   | (6,406)  | C |                                   |
|   |  |                   |                                   | (3,400)  | D |                                   |
|   |  |                   |                                   | (214,517)                                      | D |                                   |
| Restricted Cash                           |  |                   |                                   | 15,000   | A | 15,000                            |
| Interest receivable                       | 451  |                   |                                   | 451  |   | 451                               |
| Prepaid expenses and<br>other receivables | 946  | 3,753             |                                   | 4,699  |   | 4,699                             |
| Deferred financing costs                  |  | 774               |                                   | (774)  | E |                                   |
| <b>Current assets</b>                     | <b>3,529</b>                                     | <b>8,815</b>      |                                   | <b>8,806</b>                                   |   | <b>21,150</b>                     |
| Investments held in trust<br>account      | 316,143  |                   |                                   | (316,143)                                      | A |                                   |
| Vessel Deposit                            |  |                   |                                   | 99,000   | B | 99,000                            |
| Vessels in operation                      |  | 471,879           |                                   | 125,245  | B | 597,124                           |
| Other fixed assets                        |  | 30                |                                   | (4)  | B | 26                                |
| Intangible assets                         |  |                   |                                   | 42,384   | B | 42,384                            |
| <b>Non-current assets</b>                 | <b>316,143</b>                                   | <b>471,909</b>    |                                   | <b>(49,518)</b>                                |   | <b>738,534</b>                    |
| Deferred acquisition<br>costs             | 1,422  |                   |                                   | (1,422)  | F |                                   |
| Deferred financing costs                  |  | 5,181             |                                   | (5,182)  | E | 3,400                             |
|   |  |                   |                                   | 3,400  | D |                                   |
| <b>Total Assets</b>                       | <b>\$ 321,094</b>                                | <b>\$ 485,905</b> |                                   | <b>\$ (43,916)</b>                             |   | <b>\$ 763,084</b>                 |

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**Liabilities and Stockholders Equity**

**Liabilities**

|  |               |    |                |    |                  |   |    |                |                       |
|--|---------------|----|----------------|----|------------------|---|----|----------------|-----------------------|
| Current installments of long-term debt | \$            | \$ | 401,100        | \$ | (401,100)        | D | \$ |                | \$                    |
| Accounts payable                       |               |    | 3,466          |    |                  |   |    | 3,466          | 3,466                 |
| Accrued expenses and other liabilities | 10,211        |    | 3,301          |    | (6,406)          | C |    | 5,684          | 5,684                 |
|  |               |    |                |    | (1,422)          | F |    |                |                       |
| Amounts due to group companies         |               |    | 2,273          |    | (2,273)          | G |    |                |                       |
| <b>Current liabilities</b>             | <b>10,211</b> |    | <b>410,140</b> |    | <b>(411,201)</b> |   |    | <b>9,150</b>   | <b>9,150</b>          |
| Long term debt                         |               |    |                |    | 401,100          | D |    | 186,583        | 63,408 K 249,991      |
|  |               |    |                |    | (214,517)        | D |    |                |                       |
| Amounts due to group companies         |               |    | 176,875        |    | (176,875)        | G |    |                |                       |
| Intangible liabilities                 |               |    |                |    | 68,819           | B |    | 68,819         | 68,819                |
| <b>Total Liabilities</b>               | <b>10,211</b> |    | <b>587,015</b> |    | <b>(332,674)</b> |   |    | <b>264,552</b> | <b>63,408 327,960</b> |

**Commitments and contingencies**

|  |        |  |  |  |          |   |  |  |  |
|--|--------|--|--|--|----------|---|--|--|--|
| Common stock subject to possible redemption                          | 61,795 |  |  |  | (61,795) | H |  |  |  |
| Interest attributable to common stock subject to possible conversion | 1,613  |  |  |  | (1,613)  | H |  |  |  |

**Stockholders Equity**

|                                  |                |  |                  |  |                |   |  |                |                         |
|----------------------------------|----------------|--|------------------|--|----------------|---|--|----------------|-------------------------|
| Preferred stock                  |                |  |                  |  |                |   |  |                |                         |
| Common stock-Marathon            | 5              |  |                  |  | (5)            | I |  |                |                         |
| Class A common stock             |                |  |                  |  | 523            | I |  | 523            | (80) L 443              |
| Class B common stock             |                |  |                  |  | 100            | I |  | 100            | 100                     |
| Class C common stock             |                |  |                  |  | 124            | I |  | 124            | 124                     |
| Additional paid in capital       | 240,553        |  |                  |  | 186,906        | I |  | 489,255        | (61,715) L 427,540      |
|                                  |                |  |                  |  | 61,795         | H |  |                |                         |
| Retained earnings (deficit)      | 6,917          |  | (101,110)        |  | 101,110        | J |  | 8,530          | (1,613) L 6,917         |
|                                  |                |  |                  |  | 1,613          | H |  |                |                         |
| <b>Total Stockholders Equity</b> | <b>247,475</b> |  | <b>(101,110)</b> |  | <b>352,166</b> |   |  | <b>498,532</b> | <b>(63,408) 435,124</b> |

|  |                   |                   |                  |                   |                   |
|--|-------------------|-------------------|------------------|-------------------|-------------------|
| <b>Total Liabilities and Stockholders Equity</b> | <b>\$ 321,094</b> | <b>\$ 485,905</b> | <b>\$ 43,916</b> | <b>\$ 763,084</b> | <b>\$ 763,084</b> |
|--|-------------------|-------------------|------------------|-------------------|-------------------|

**Table of Contents****UNAUDITED PRO FORMA COMBINED INCOME STATEMENTS**

The following unaudited pro forma combined income statement for the year ended December 31, 2007 and for the three months ended March 31, 2008, combines the historical income statements of Marathon and Global Ship Lease assuming the businesses had been combined on January 1, 2007, on a purchase accounting basis.

|                                     | Three months Ended March 31, 2008 |                        |   |      |                    |  | Pro Forma Combined |
|-------------------------------------|-----------------------------------|------------------------|---|------|--------------------|--|--------------------|
|                                     | Marathon                          | Global Ship Lease Inc. | Pro Forma Adjustments (assuming no conversions) | Note | Pro Forma Combined | Pro Forma Adjustments (assuming maximum conversions) |                    |
|                                     | (\$ thousands except per share)   |                        |   |      |                    |  |                    |
| <b>Operating Revenues</b>           |                                   |                        |   |      |                    |  |                    |
| Voyage revenue                      | \$                                | \$ 2,072               | \$ (2,072)                                      | M    | \$                 | \$   | \$                 |
| Time charter revenue                |                                   | 21,822                 | 877   | N    | 24,001             |  | 24,001             |
|                                     |                                   |                        | 1,302   | O    |                    |  |                    |
| <b>Total operating revenues</b>     |                                   | <b>23,894</b>          | <b>107</b>                                      |      | <b>24,001</b>      |  | <b>24,001</b>      |
| <b>Operating expenses</b>           |                                   |                        |   |      |                    |  |                    |
| Voyage expenses                     |                                   | (1,944)                | 1,944   | P    |                    |  |                    |
| Vessel expenses                     |                                   | (7,345)                | (8)   | Q    | (7,353)            |  | (7,353)            |
| Depreciation and amortization       |                                   | (5,020)                | (617)   | R    | (5,743)            |  | (5,743)            |
|                                     |                                   |                        | (106)   | S    |                    |  |                    |
| General and administrative          | (1,863)                           | (722)                  | 598   | T    | (1,988)            |  | (1,988)            |
| Other operating income/(expense)    |                                   | (280)                  | 280   | U    |                    |  |                    |
| <b>Total operating expenses</b>     | <b>(1,863)</b>                    | <b>(15,311)</b>        | <b>2,090</b>                                    |      | <b>(15,084)</b>    |  | <b>(15,084)</b>    |
| <b>Operating Income (loss)</b>      | <b>(1,863)</b>                    | <b>8,583</b>           | <b>2,197</b>                                    |      | <b>8,917</b>       |  | <b>8,917</b>       |
| <b>Non operating income/expense</b> |                                   |                        |   |      |                    |  |                    |
| Interest income                     | 1,953                             | 302                    | (1,953)   | V    | 302                |  | 302                |
| Interest expense                    |                                   | (8,234)                | 6,171   | W    | (2,445)            | (701)  | (3,146)            |
|                                     |                                   |                        | (382)   | X    |                    |  |                    |
| <b>Income before Income Taxes</b>   | <b>90</b>                         | <b>651</b>             | <b>6,033</b>                                    |      | <b>6,774</b>       | <b>(701)</b>   | <b>6,073</b>       |
| Income taxes                        | (891)                             | (16)                   |   |      | (16)               |  | (16)               |
|                                     |                                   |                        | 891   | Z    |                    |  |                    |
| <b>Net Income</b>                   | <b>\$ (801)</b>                   | <b>\$ 635</b>          | <b>\$ 6,924</b>                                 |      | <b>\$ 6,758</b>    | <b>\$ (701)</b>                                      | <b>\$ 6,057</b>    |

Weighted average number of shares

outstanding subject to possible conversion

|         |           |             |
|---------|-----------|-------------|
| Basic   | 8,003,166 | (8,003,166) |
| Diluted | 8,003,166 | (8,003,166) |

Net income per share amount

|         |           |    |
|---------|-----------|----|
| Basic   | \$ (0.03) | \$ |
| Diluted | \$ (0.03) | \$ |

Weighted average number of shares

outstanding not subject to possible conversion

|         |            |              |
|---------|------------|--------------|
| Basic   | 41,407,684 | (41,407,684) |
| Diluted | 41,407,684 | (41,407,684) |

Net income per share amount

|         |           |    |
|---------|-----------|----|
| Basic   | \$ (0.02) | \$ |
| Diluted | \$ (0.02) | \$ |

Weighted average number of Class A common shares outstanding

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|  |    |            |    |            |    |             |            |
|--|----|------------|----|------------|----|-------------|------------|
| Basic  |    | 52,255,450 | AB | 52,255,450 | AB | (8,003,166) | 44,252,284 |
| Diluted  |    | 62,701,774 | AB | 62,701,774 | AB | (8,003,166) | 54,698,608 |
| Net income per share amount                                  |    |            |    |            |    |             |            |
| Basic  | \$ |            |    | \$ 0.13    | AB |             | \$ 0.14    |
| Diluted  | \$ |            |    | \$ 0.11    | AB |             | \$ 0.11    |
| Weighted average number of Class B common shares outstanding |    |            |    |            |    |             |            |
| Basic  |    | 10,000,000 | AB | 10,000,000 | AB |             | 10,000,000 |
| Diluted  |    | 10,000,000 | AB | 10,000,000 | AB |             | 10,000,000 |
| Net income per share amount                                  |    |            |    |            |    |             |            |
| Basic  | \$ |            |    | \$         | AB |             | \$         |
| Diluted  | \$ |            |    | \$         | AB |             | \$         |
| Weighted average number of Class C common shares outstanding |    |            |    |            |    |             |            |
| Basic  |    | 12,375,000 | AB | 12,375,000 | AB |             | 12,375,000 |
| Diluted  |    | 12,375,000 | AB | 12,375,000 | AB |             | 12,375,000 |
| Net income per share amount                                  |    |            |    |            |    |             |            |
| Basic  | \$ |            |    | \$         | AB |             | \$         |
| Diluted  | \$ |            |    | \$         | AB |             | \$         |

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## Year Ended December 31, 2007

|   | Marathon                        | Global Ship<br>Lease Inc. | Pro Forma<br>Adjustments<br>(assuming no<br>conversions) | Note | Pro Forma<br>Combined | Pro Forma<br>Adjustments<br>(assuming<br>maximum<br>conversions) | Pro Forma<br>Combined |
|---|---------------------------------|---------------------------|--|------|-----------------------|--|-----------------------|
|   | (\$ thousands except per share) |                           |  |      |                       |  |                       |
| <b>Operating Revenues</b>   |                                 |                           |  |      |                       |  |                       |
| Voyage revenue  | \$                              | \$ 332,186                | \$ (332,186)   | M    | \$                    | \$   | \$                    |
| Time charter revenue  |                                 | 2,909                     | 65,906   | N    | 74,022                |  | 74,022                |
|   |                                 |                           | 5,207  | O    |                       |  |                       |
| Total operating revenues  |                                 | 335,095                   | (261,073)  |      | 74,022                |  | 74,022                |
| <b>Operating expenses</b>   |                                 |                           |  |      |                       |  |                       |
| Voyage expenses   |                                 | (249,457)                 | 249,457  | P    |                       |  |                       |
| Vessel expenses   |                                 | (23,959)                  | 489  | Q    | (23,470)              |  | (23,470)              |
| Depreciation and amortization   |                                 | (16,119)                  | (982)  | R    | (17,526)              |  | (17,526)              |
|   |                                 |                           | (425)  | S    |                       |  |                       |
| General and administrative  | (1,184)                         | (17,751)                  | 10,985   | T    | (7,950)               |  | (7,950)               |
| Other operating income/(expense)  |                                 | 2,341                     | (2,341)  | U    |                       |  |                       |
| Total operating expenses  | (1,184)                         | (304,945)                 | 257,183  |      | (48,946)              |  | (48,946)              |
| <b>Operating Income (loss)</b>  | (1,184)                         | 30,150                    | (3,890)  |      | 25,076                |  | 25,076                |
| <b>Non operating income/expense</b>   |                                 |                           |  |      |                       |  |                       |
| Interest income   | 14,875                          | 207                       | (14,875)   | V    | 207                   |  | 207                   |
| Interest expense  |                                 | (13,561)                  | 12,647   | W    | (2,874)               | (3,843)  | (6,718)               |
|   |                                 |                           | (1,960)  | X    |                       |  |                       |
| <b>Income before Income Taxes</b>   | 13,691                          | 16,796                    | (8,078)  |      | 22,409                | (3,843)  | 18,565                |
| Income taxes  | (7,009)                         | (20)                      | (76)   | Y    | (96)                  |  | (96)                  |
|   |                                 |                           | 7,009  | Z    |                       |  |                       |
| <b>Net Income</b>   | \$ 6,683                        | \$ 16,776                 | \$ (1,145)   |      | \$ 22,313             | \$ (3,843)   | \$ 18,469             |
| <b>Weighted average number of shares<br/>outstanding subject to possible conversion</b>         |                                 |                           |  |      |                       |  |                       |
| Basic   | 8,003,166                       |                           | (8,003,166)  |      |                       |  |                       |
| Diluted   | 8,003,166                       |                           | (8,003,166)  |      |                       |  |                       |
| <b>Net income per share amount</b>  |                                 |                           |  |      |                       |  |                       |
| Basic   | \$ 0.18                         |                           |  |      | \$                    |  | \$                    |
| Diluted   | \$ 0.18                         |                           |  |      | \$                    |  | \$                    |
| <b>Weighted average number of shares<br/>outstanding not subject to possible<br/>conversion</b> |                                 |                           |  |      |                       |  |                       |
| Basic   | 41,407,684                      |                           | (41,407,684)   |      |                       |  |                       |
| Diluted   | 52,374,624                      |                           | (52,374,624)   |      |                       |  |                       |
| <b>Net income per share amount</b>  |                                 |                           |  |      |                       |  |                       |
| Basic   | \$ 0.13                         |                           |  |      | \$                    |  | \$                    |
| Diluted   | \$ 0.10                         |                           |  |      | \$                    |  | \$                    |
| <b>Weighted average number of Class A<br/>common shares outstanding</b>                         |                                 |                           |  |      |                       |  |                       |
| Basic   |                                 |                           | 52,255,450   | AB   | 52,255,450            | AB   | (8,003,166)           |
| Diluted   |                                 |                           | 62,499,821   | AB   | 62,499,821            | AB   | (8,003,166)           |
| <b>Net income per share amount</b>  |                                 |                           |  |      |                       |  |                       |
| Basic   | \$                              |                           |  |      | \$ 0.43               | AB   | \$ 0.42               |
| Diluted   | \$                              |                           |  |      | \$ 0.36               | AB   | \$ 0.34               |
| <b>Weighted average number of Class B<br/>common shares outstanding</b>                         |                                 |                           |  |      |                       |  |                       |
| Basic   |                                 |                           | 10,000,000   | AB   | 10,000,000            | AB   | 10,000,000            |
| Diluted   |                                 |                           | 10,000,000   | AB   | 10,000,000            | AB   | 10,000,000            |

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|  |    |            |    |            |    |            |
|--|----|------------|----|------------|----|------------|
| Net income per share amount                                  |    |            |    |            |    |            |
| Basic  | \$ |            |    | \$         | AB | \$         |
| Diluted  | \$ |            |    | \$         | AB | \$         |
| Weighted average number of Class C common shares outstanding |    |            |    |            |    |            |
| Basic  |    | 12,375,000 | AB | 12,375,000 | AB | 12,375,000 |
| Diluted  |    | 12,375,000 | AB | 12,375,000 | AB | 12,375,000 |
| Net income per share amount                                  |    |            |    |            |    |            |
| Basic  | \$ |            |    | \$         | AB | \$         |
| Diluted  | \$ |            |    | \$         | AB | \$         |

**Table of Contents****Notes to the Pro Forma Combined Financial Statements (\$ thousands except per share and per day amounts)****Unaudited Pro Forma Combined Balance Sheet**

The balance sheets included in this joint proxy statement/prospectus do not reflect the financial condition GSL Holdings will have as of the date of the closing of the Merger. Therefore, we have recorded pro forma adjustments to reflect the relevant financial arrangements of the Merger and the January 2008 newly built vessel acquisitions as if those transactions had occurred on March 31, 2008. The pro forma adjustments are described in more detail as follows:

- A. Transfer of funds held in trust to restricted and unrestricted cash accounts. Restricted cash represents the minimum cash balance required by the Global Ship Lease credit facility.
- B. Marathon will account for the business combination under the purchase method. Under the purchase method, the assets acquired and liabilities assumed will be recorded at their fair values as of the acquisition date. Any excess of the fair value of the net acquired assets over the purchase price will be recorded as a pro rata reduction of identified intangible assets, vessels in operation and other fixed assets. The following table shows the adjusted fair values, as of the date of this filing, of the assets purchased and liabilities assumed in the transaction from Global Ship Lease. These values do not reflect the final adjustments to the purchase price or the final allocation of the fair value excess of the net acquired assets, as the process to assign a fair value to the various tangible and intangible assets and liabilities has not been completed. Final adjustments may result in a materially different allocation of the purchase price, which will affect the value assigned to tangible and/or intangible assets and liabilities acquired.

|   | Shares     | Fair Value        | Fair Value<br>per share |
|---|------------|-------------------|-------------------------|
| <b>Calculation of Allocable Purchase Price:</b> |            |                   |                         |
| Cash payment                                    |            | \$ 66,570         |                         |
| Class A common shares (1)                       | 7,844,600  | 61,031            | \$ 7.78                 |
| Class B common shares (1)                       | 5,000,000  | 34,300            | 6.86                    |
| Class C common shares (1)                       | 12,375,000 | 92,318            | 7.46                    |
| Transaction related expenses (2)                |            | 15,670            |                         |
| <b>Total allocable purchase price</b>           |            | <b>\$ 269,889</b> |                         |
| <b>Estimated Allocation of Purchase Price:</b>  |            |                   |                         |
| Cash and cash equivalents                       |            | \$ 4,288          |                         |
| Prepaid expenses and other receivables          |            | 3,753             |                         |
| Vessel Deposit (3)                              |            | 99,000            |                         |
| Vessels in operation (4)                        |            | 597,124           |                         |
| Other fixed assets (5)                          |            | 26                |                         |
| Debt  |            | (401,100)         |                         |
| Accounts payable                                |            | (3,466)           |                         |
| Accrued expenses and other liabilities          |            | (3,301)           |                         |
| Intangible assets (6)                           |            | 42,384            |                         |
| Intangible liabilities (7)                      |            | (68,819)          |                         |
| <b>Total Allocable Purchase Price</b>           |            | <b>\$ 269,889</b> |                         |

The fair value of the acquired assets and liabilities has been reduced by \$84,746, which equals the estimated excess of the fair value of the net acquired assets over the purchase price. Accordingly, three assets classes were reduced pro rata: (i) identified intangible assets of \$48,000 to \$42,384, (ii) other fixed assets from \$30 to \$26 and (iii) the fair value of the vessels in operation from \$676,250 to \$597,124.



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- (1) Recognition of issuance of common shares to CMA CGM as consideration pursuant to the merger agreement. The Class A common shares have been valued at the \$7.78 per share average closing price of Marathon's common stock (using the average closing price of the five days on and surrounding the announcement date of March 24, 2008). The rights of holders of Class B common shares will be identical to those of holders of Class A common shares subject to meeting certain tests, except that the holders of Class B common shares will not be entitled to receive any dividends with respect to any quarter prior to the fourth quarter of 2008 and their dividend rights will be subordinated to those of holders of Class A common shares until at least the third quarter of 2011. The rights of holders of Class C common shares will be identical to those of holders of Class A common shares, except that holders of Class C common shares will not be entitled to receive any dividends and the Class C common shares will convert into Class A common shares on a one-for-one basis on January 1, 2009. Please see Description of Securities.

Management estimated the per share value of the Class C common shares by discounting the share price of \$7.78 by the present value of the first two \$0.18 dividends foregone in 2008. Management calculated the discount rate of 10.10% by using the average of (a) an 11.5% cost of equity using the dividend growth model (assumes a comparable dividend of 7.5% and long-term dividend growth of 4.0%) and (b) an 8.7% cost of equity using the beta method (4.40% U.S. Risk Free Rate (30-year U.S. Treasury) plus a 4.25% adjusted equity market risk premium). Using this rate, the discount for the present value of the waived dividends is \$0.32. This results in an implied share price of \$7.46.

Management estimated the per share value of the Class B common shares using the same method for the waived dividends as used for Class C common shares. Management applied an additional discount for subordinated dividend risk and impaired liquidity. Management estimated a discount of 7.8% (\$0.61) by examining trading performance of subordinated share class for precedent transactions. This results in an implied share price of \$6.86.

- (2) Payment of costs related to the Merger, including advisory fees, legal fees, accounting fees, and other miscellaneous transaction fees. The calculation of estimated costs related to the Merger reflects costs incurred to date combined with estimated costs to complete the transaction, as provided by the parties and their advisors, attorneys and accountants.
- (3) Deposit included in purchase price related to prepayment for the five contracted vessels. If the vessels are not delivered, CMA CGM must cash refund the deposit.
- (4) Reflects the adjustment of Global Ship Lease's vessel carrying value to the charter-free fair value as of December 2007, less an adjustment due to the excess of the fair value of the net assets acquired over the purchase price of approximately \$79,126. Please refer to note R for details. These ships will be re-valued to reflect fair value on the date of the Merger, and adjusted accordingly in the purchase price allocation.
- (5) The \$30 other fixed assets were reduced by \$4 as an allocation of the excess fair value of the net acquired assets over the purchase price.
- (6) Intangible assets related to purchase agreements for three of the five vessels expected to be delivered in December 2008 and July 2009 of \$48,000 were identified. The contractual purchase prices of the three vessels, which were negotiated in 2007, are currently less than the fair value of the vessels. The current assumption is that the newbuilding and one secondhand vessel are being purchased at fair value, and therefore result in no intangible asset. Due to the overall excess of the fair value of the net assets acquired over the purchase price, these intangible assets were reduced \$5,616 to \$42,384. These intangible assets will not be amortized. At the time of purchase, these intangible asset will be reversed and the book basis of the purchased ships will be increased. The total book basis will be depreciated over the vessels' expected useful lives.

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- (7) To record Marathon management's estimate of fair value for intangible liabilities consisting of below-market charters to be amortized for each vessel over the remaining life of the charter. The fair value of current market rate charters was estimated by management based on its experience with regard to availability of similar vessels, costs to build new vessels and current market demand. The contracted lease rates were compared to the estimated current market lease rates for similar vessels. The estimated lease intangibles were computed by discounting the difference in the projected lease cash flows using a discount rate of 8% and the length of the charter as the relevant time period. The intangible liabilities related to the 10 secondhand vessels in the initial fleet total \$31,844. Please refer to note O for details. There is no adjustment required for the two newly built ships. The intangible liabilities for the five contracted vessels total \$36,975, which will begin amortizing at the time of each vessel acquisition. These estimates are Marathon management's best estimates and are subject to change pending completion of appraisals of Marathon's principal assets by experts upon completion of the Merger.
- C. Payment of deferred underwriting discounts and commissions placed in trust account pending completion of a business combination.
- D. \$401,100 transfer of outstanding credit facility borrowings from short-term debt to long-term as a result of the credit facility amendment to allow for the Merger, which extends the maturity of the credit facility; capitalization of credit facilities fees of \$3,400; \$214,517 repayment of credit facility from remaining trust proceeds.
- E. To reverse Global Ship Lease's capitalized deferred financing costs.
- F. Reversal of accrued merger related expenses incurred through March 31, 2008 that will be paid as part of the \$15.67 million of transaction related expenses within the purchase price.
- G. Reversal of former Global Ship Lease parent company liabilities.
- H. Reversal of common stock subject to possible redemption and attributable interest due to assumed 0 shares converted.
- I. Recognition of issuance of common shares to CMA CGM as consideration pursuant to the merger agreement and reversal of old common shares.
- J. Reversal of Global Ship Lease's stockholder equity.
- K. Reversal of credit facility repayment to allow for payment from trust to convert Marathon shares and interest.
- L. Repayment of 8,003,166 shares of common stock (19.99%) converted at the initial estimated per share conversion price plus interest allocated net of taxes. The initial per share conversion price, estimated at \$7.72 at the time of the initial public offering, was calculated by dividing the total initial public offering proceeds deposited into the trust account by the number of shares issued in the initial public offering. Interest allocated net of income taxes to the 8,003,166 shares subject to possible conversion equaled \$1,613 as of March 31, 2008. Upon actual conversion, the amount paid will equal the initial per share conversion price plus the per share portion of interest accumulated within the trust that is allocated to the shares subject to possible conversion as of the date of the consummation of the Merger.

Other potential adjustments to the balance sheet depending on certain levels of conversion are shown below. The table depicts a range of possible conversion: 5% (2,001,793 shares), 10% (4,003,583 shares) and 15% (6,005,378 shares).

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|                            | <b>5% Conversion</b> | <b>10% Conversion</b> | <b>15% Conversion</b> | <b>19.9% Conversion</b> |
|----------------------------|----------------------|-----------------------|-----------------------|-------------------------|
| Long term debt             | 15,851               | 31,704                | 47,555                | 63,408                  |
| Class A common shares      | (20)                 | (40)                  | (60)                  | (80)                    |
| Additional Paid In Capital | (15,436)             | (30,873)              | (46,309)              | (61,715)                |
| Retained Earnings          | (395)                | (791)                 | (1,186)               | (1,613)                 |

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***Unaudited Pro Forma Combined Income Statement***

The statements of income included in this joint proxy statement/prospectus does not reflect the operating results that would have been obtained under Global Ship Lease's fixed-rate long-term charters and ship management agreements. As such, pro forma adjustments have been made to the combined statement of income to reflect the pro forma results of operations under the fixed rate long-term charters and ship management agreements as if those contractual arrangements had been in place on January 1, 2007 for the 10 secondhand vessels of Global Ship Lease's initial fleet which were operated for the full year in 2007 and for the three months ended March 31, 2008.

Additionally, the pro forma adjustments include operation of the two newly built vessels as if the fixed rate long-term charters and ship management agreements had been in place for the period from delivery on November 5 and December 27, 2007 until December 31, 2007 and for the three months ended March 31, 2008. Revenues from these vessels, interest expense on the related borrowings, depreciation expense and related vessel expenses have only been included from the time of their delivery to the Predecessor Group in November and December 2007 through December 31, 2007. Had these vessels been included for the full year with no off hire, time charter revenue would have increased by \$22,278, depreciation would have increased by \$4,791, interest expense on the related borrowings would have increased by \$9,969 and related vessel expenses would have increased by \$5,367.

M. This adjustment eliminates voyage revenue generated by Global Ship Lease's Predecessor Group. Global Ship Lease operates as a ship owner generating revenue from its long-term charters.

N. This adjustment is to recognize Global Ship Lease's charter hire receivable for its initial fleet under the long-term charter arrangements in place with CMA CGM based on the actual number of days of operation. The 2007 adjustment reflects the charter revenue which would have been derived from (i) the 10 secondhand vessels operated by the Predecessor Group up to the dates of their acquisition in December 2007 by Global Ship Lease, (ii) the two newly built vessels from their delivery to the Predecessor Group in November and December 2007 until December 31, 2007 and (iii) the increase in certain charter rates due to the amended and restated charter agreements entered into with CMA CGM in connection with the merger agreement.

The adjustment for the first quarter of 2008 reflects \$831 charter revenue that would have been derived from the two newly built vessels from January 1, 2008 through the dates Global Ship Lease purchased them from the Predecessor Group in January 2008, as well as the incremental impact of \$46 for the increase in charter rates due to the amended and restated charter agreements entered into with CMA CGM as a result of the merger agreement. For the purposes of this unaudited pro forma financial information, Global Ship Lease's charters have been classified as operating leases under U.S. GAAP.

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Please see Global Ship Lease Business Time Charters for more information on these agreements.

|                                    | Amended/<br>Restated<br>Charter rate<br>(\$/day)<br>(A) | Year ended December 31, 2007<br>Actual number of days operation in<br>2007 |     |              | Total<br>pro forma<br>charter<br>revenue<br>for the year<br>(A) * (B) |
|------------------------------------|---|--|-----|--------------|---|
|                                    |   | Predecessor<br>Group   | GSL | Total<br>(B) |   |
| Ville d Orion                      | \$ 21,500   | 332  | 11  | 343          | 7,389   |
| Ville d Aquarius                   | \$ 21,500   | 349  | 13  | 362          | 7,773   |
| CMA CGM Matisse                    | \$ 17,965   | 352  | 12  | 364          | 6,533   |
| CMA CGM Utrillo                    | \$ 17,965   | 344  | 21  | 365          | 6,547   |
| MOL Rainbow                        | \$ 17,965   | 352  | 13  | 365          | 6,549   |
| Julie Delmas                       | \$ 17,965   | 332  | 22  | 354          | 6,350   |
| Kumasi                             | \$ 17,965   | 340  | 12  | 352          | 6,317   |
| Marie Delmas                       | \$ 17,965   | 331  | 19  | 350          | 6,283   |
| CMA CGM La Tour                    | \$ 17,965   | 352  | 12  | 364          | 6,549   |
| CMA CGM Manet                      | \$ 17,965   | 339  | 25  | 364          | 6,530   |
| CMA CGM Alcazar                    | \$ 33,250   | 56   |     | 56           | 1,862   |
| CMA CGM Château d If               | \$ 33,250   | 4  |     | 4            | 133   |
|                                    |   |  |     |              | 68,815  |
| Less Global Ship Lease Inc. actual |   |  |     |              | (2,909)   |
| Pro forma adjustment               |   |  |     |              | 65,906  |

|                          | GSL charter rate<br>(\$/day) (A) | Predecessor<br>Group (B) | Three months ended March 31, 2008<br>Number of days of operation at GSL for the<br>three month period ended March 31, 2008 |       | Pro forma adjustment to<br>revenue for GSL<br>Predecessor Group<br>for the period<br>(thousand \$)<br>(A) * (B) |
|--------------------------|----------------------------------|--------------------------|--|-------|---|
|                          |                                  |                          | GSL  | Total |   |
| CMA CGM Alcazar (1)      | \$ 33,250                        | 16                       | 75   | 91    | 532   |
| CMA CGM Château d If (1) | \$ 33,250                        | 9                        | 82   | 91    | 299   |
|                          |                                  |                          |  |       | 831   |

|                 | Number of days of operation at GSL for the<br>three month period ended March 31, 2008 (A) | Three months ended March 31, 2008<br>Incremental<br>Charter<br>Rate<br>increase<br>due to<br>amended/<br>restated<br>agreements<br>(\$/day)<br>(B) |    | Pro forma<br>adjustment<br>to revenue<br>for incremental<br>rate for the<br>period<br>(thousand \$)<br>(A) * (B) |
|-----------------|---|--|----|--|
|                 |   |  |    |  |
| CMA CGM Matisse | 90  | \$   | 65 | 6  |
| CMA CGM Utrillo | 91  | \$   | 65 | 6  |
| MOL Rainbow     | 76  | \$   | 65 | 5  |

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|                 |    |       |   |
|-----------------|----|-------|---|
| Julie Delmas    | 91 | \$ 65 | 6 |
| Kumasi          | 91 | \$ 65 | 6 |
| Marie Delmas    | 91 | \$ 65 | 6 |
| CMA CGM La Tour | 89 | \$ 65 | 5 |
| CMA CGM Manet   | 91 | \$ 65 | 6 |

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- O. Recognition of intangible liabilities to adjust below market leases to current market prices.

| Vessel Name      | Charter Duration | Intangible Liability | Annual Accretion | Quarter Accretion |
|------------------|------------------|----------------------|------------------|-------------------|
| Ville d Orion    | 5                | \$ (9,716)           | 1,943            | 488               |
| Ville d Aquarius | 5                | (9,716)              | 1,943            | 488               |
| CMA CGM Matisse  | 9                | (1,787)              | 199              | 33                |
| CMA CGM Utrillo  | 9                | (1,787)              | 199              | 33                |
| MOL Rainbow      | 10               | (1,316)              | 132              | 33                |
| Julie Delmas     | 10               | (1,316)              | 132              | 33                |
| Kumasi           | 10               | (1,316)              | 132              | 50                |
| Marie Delmas     | 10               | (1,316)              | 132              | 50                |
| CMA CGM La Tour  | 9                | (1,787)              | 199              | 50                |
| CMA CGM Manet    | 9                | (1,787)              | 199              | 50                |
|                  |                  | (31,844)             | 5,207            | 1,302             |

- P. This adjustment eliminates the voyage expenses related to Predecessor Group freight revenue, which has been adjusted in M above. Voyage expenses are borne by the charterer.

- Q. The 2007 adjustment amounting to \$489 is to (i) recognize the fees relating to Global Ship Lease's ship management agreements with CMA Ships for \$114 per vessel per year, amounting to \$1,109 for the initial fleet (ii) remove the fees relating to the management agreements with Midocean (IOM) Limited for four of Global Ship Lease's vessels, amounting to \$456 million, which would not have been incurred and (iii) reflect the effect of the global expense agreement with CMA Ships, which is determined on a fleet basis, that would have reduced Global Ship Lease's vessel expenses by \$1,139.

## Year ended December 31, 2007

| Vessel Name          | Actual vessel expenses in GSL combined financial statements (thousand \$) | Pro forma adjustments to vessel expenses (in thousand of U.S. dollars) |                          |                                    | Total pro forma adjustment to vessel expense |
|----------------------|---|--|--------------------------|------------------------------------|--|
|                      |   | CMA Ships management fees  | Midocean management fees | Effect of the global cap agreement |  |
| Ville d Orion        | 2,525   | 110  |                          | 47                                 | 157  |
| Ville d Aquarius     | 2,684   | 110  |                          | (93)                               | 17   |
| CMA CGM Matisse      | 2,274   | 110  |                          | (120)                              | (10)   |
| CMA CGM Utrillo      | 2,406   | 107  |                          | (252)                              | (144)  |
| MOL Rainbow          | 2,145   | 110  | (116)                    | 102                                | 4  |
| Julie Delmas         | 2,009   | 107  | (113)                    | 136                                | 130  |
| Kumasi               | 2,046   | 110  | (116)                    | 98                                 | 92   |
| Marie Delmas         | 2,101   | 108  | (114)                    | 41                                 | 35   |
| CMA CGM La Tour      | 2,796   | 110  |                          | (626)                              | (516)  |
| CMA CGM Manet        | 2,588   | 106  |                          | (433)                              | (327)  |
| CMA CGM Alcazar      | 326   | 17   |                          | 84                                 | 102  |
| CMA CGM Château d If | 59  | 1  |                          | (30)                               | (29)   |
|                      | <b>23,959</b>   | <b>1,109</b>   | <b>(459)</b>             | <b>(1,139)</b>                     | <b>(489)</b>                                 |

Three months ended March 31, 2008  
Pro forma adjustments to vessels expenses  
(in thousand of U.S. dollars)

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|                      | CMA Ships<br>management fees in<br>thousand \$ | Effect of the global<br>cap agreement | Total pro forma<br>adjustment to GSL<br>vessel expense |
|----------------------|--|---------------------------------------|--|
| CMA CGM Alcazar      | 5  |                                       | 4  |
| CMA CGM Château d If | 3  |                                       | 3  |
|                      | <b>8</b>                                       |                                       | <b>8</b>   |

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- R. To record additional depreciation related to the adjustment of Global Ship Lease's vessel carrying value to current fair value.

(\$ in millions)

| Vessel                   | Fair Value   | Residual Value | Depreciable Amount | Useful Life | 2007 Depreciation | Three months ended March 31, 2008 Depreciation |
|--------------------------|--------------|----------------|--------------------|-------------|-------------------|--|
| Ville d Orion            | \$ 51.1      | 4.0            | \$ 47.1            | 20          | \$ 2.4            | \$ 0.6   |
| Ville d Aquarius         | \$ 49.8      | 4.0            | \$ 45.8            | 19          | \$ 2.4            | 0.6  |
| CMA CGM Utrillo          | \$ 35.6      | 2.5            | \$ 33.1            | 22          | \$ 1.5            | 0.3  |
| CMA CGM Utrillo          | \$ 35.6      | 2.5            | \$ 33.1            | 22          | \$ 1.5            | 0.4  |
| MOL Rainbow              | \$ 41.8      | 2.9            | \$ 38.9            | 26          | \$ 1.4            | 0.4  |
| Julie Delmas             | \$ 40.2      | 2.9            | \$ 37.3            | 25          | \$ 1.5            | 0.4  |
| Kumasi                   | \$ 40.2      | 2.9            | \$ 37.3            | 25          | \$ 1.5            | 0.4  |
| Marie Delmas             | \$ 38.5      | 2.9            | \$ 35.6            | 25          | \$ 1.4            | 0.4  |
| CMA CGM Manet            | \$ 37.9      | 2.9            | \$ 35.0            | 24          | \$ 1.5            | 0.4  |
| CMA CGM La Tour          | \$ 37.9      | 2.9            | \$ 35.0            | 24          | \$ 1.5            | 0.4  |
| CMA CGM Alcazar (1)      | \$ 94.0      | 5.0            | \$ 89.0            | 30          | \$ 0.5            | 0.7  |
| CMA CGM Château d If (1) | \$ 94.5      | 5.0            | \$ 89.5            | 30          | \$ 0.0            | 0.7  |
| <b>Total</b>             | <b>597.1</b> |                | <b>556.7</b>       |             | <b>17.1</b>       | <b>5.6</b>                                     |

This adjustment also reflects the effect of the change from 25 to 30 years in estimated useful lives of Global Ship Lease's vessels as if its initial fleet was operated under its chartering activity from January 1, 2007. Please see Management's Discussion and Analysis of Financial Condition and Results of Operation of Global Ship Lease Vessel Lives for more detail.

- S. To recognize the amortization of deferred financing costs associated with credit facility amendments to allow for the Merger. \$3,400 of deferred financing costs are amortized on a straight-line basis over the eight year life of the facility.

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- T. As a result of the Merger, GSL Holdings will become a charterhire company rather than a freight company. This adjustment is to recognize estimated general and administrative expenses related to Global Ship Lease of approximately \$7,950 per year, which includes directors' fees and expenses, salaries and benefits, equity incentive awards, office rent, legal and professional fees, directors and officers' insurance and miscellaneous fees and expenses. GSL Holdings will benefit from a simpler general and administrative structure to manage its ship owning business compared to the business of its Predecessor Group. The substantial reduction in pro forma general and administrative expenses compared to historical amounts reflects GSL Holdings' simplified business model of ship ownership compared to the Predecessor Group's business of carrying containerized cargo which required significant infrastructure, information systems and staff. General and administrative expenses in the historical financial statements were determined as an allocation of overhead of the CMA CGM group of which the Predecessor Group was a part, with allocation based on fleet capacity pro rata to the vessels in the Predecessor Group's fleet. Pro forma general and administrative expenses have been determined specifically for the on-going GSL Holdings business, which outsources a significant portion of its operational support under its ship management contracts and therefore, compared to other business models, has a lower overhead structure. Despite becoming a publicly listed entity, GSL Holdings anticipates the new business model will result in lower general and administrative expenses. The estimated general and administrative expenses are analyzed as follows:

| In thousands of U.S. dollars        | Estimated annual amount | Basis of determination   |
|-------------------------------------|-------------------------|--|
| Directors fees and expenses         | \$ 1,000                | Based upon current estimates by Marathon.  |
| Salaries and benefits               | 2,100                   | Based upon current estimates by Marathon.  |
| Equity incentive awards             | 1,950                   | Based upon current contract negotiations.  |
| Directors and officers insurance    | 500                     | Premiums based on estimated quotes received from insurance brokers.  |
| Accounting and audit services       | 800                     | Signed or draft engagement letters.  |
| Traveling and entertaining expenses | 600                     | The management team's estimate based on their estimates of travel costs and entertaining expenses, for expected travel for managing the existing business and for business development.  |
| Other professional services         | 200                     | The management team's estimate of on-going costs for tax, legal and similar services.  |
| Office rents                        | 200                     | Based on a signed short-term rental agreement and estimated costs of a longer term agreement for the principal executive office space.   |
| Miscellaneous                       | 600                     | The management team's estimate for other expected general and administrative costs, including insurance and claims support, investor relations support, corporate communications including quarterly financial statements and an annual general meeting. |

Total \$ 7,950

The board of directors is not yet fully constituted and fees have not been finalized. The \$1,000 estimate for directors fees and expenses is comprised of board fees of \$800, representing an estimated chairman's fee of \$150, together with fees for the six other directors at \$100 each, and was based on discussions with prospective board members. Expenses for board meetings are estimated at \$200 annually, based on travel and accommodation costs for four meetings a year for seven directors.



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Of the \$2,100 estimate for salaries and benefits, \$1,200 consists of estimated cash based compensation and other benefits for the chief executive officer, chief financial officer and chief commercial officer and was based on the employment agreements expected to be entered into at the closing of the Merger (assuming cash bonus is 50% earned). Management has estimated cash compensation and other benefits with respect to other officers and employees likely to be employed based on costs incurred by Global Ship Lease for similar services during its first six months of operations. A total of 780,000 shares of restricted stock is estimated to be authorized as part of the equity based compensation plan offered to the officers of GSL Holdings. The fair value of these stock units is determined by multiplying the total number of units by the stock price of \$7.50, which was the market price on the AMEX of the common stock on January 3, 2007, the pro forma date of grant. This results in a total value of \$5,865 to be amortized over an estimated three year vesting (service) period.

- U. Global Ship Lease's Predecessor Group entered into certain derivative hedging transactions so as to mitigate the risk of bunker price fluctuations. In the future, any transactions of this nature will be entered into by the charterer, if deemed necessary by them. As an owner, GSL Holdings will not bear the cost of bunkers.
  
- V. Reversal of interest income earned by the Marathon trust assets.
  
- W. Interest expense on post-merger long-term debt balance of (i) \$0 from January 1, 2007 to November 4, 2007 (ii) \$93,005 from November 5, 2007 through December 26, 2007 resulting from payment relating to the delivery of the CMA CGM Alcazar on November 5 and (iii) \$186,583 from December 27, 2007 through December 31, 2007 resulting from the delivery of the CMA CGM Château d'If on December 27, 2007. This assumes no conversions of shares and is based on the 2007 monthly average of 3 month LIBOR (5.31%) plus 75 basis points, which is the applicable spread based on the anticipated average levels. Interest expense for the first quarter of 2008 reflects a debt balance of \$186,583 at the first quarter of 2008 monthly LIBOR (3.62%) plus 75 basis points.
  
- X. Represents the 25 basis points commitment fee on the undrawn portion of the \$800 million credit facility. The undrawn portion represents the \$800 million total facility less the outstanding debt throughout the respective financial statement periods. For the year ended December 31, 2007, the undrawn portion was (i) \$800,000 from January 1, 2007 to November 4, 2007, (ii) \$706,995 from November 5, 2007 to December 6, 2007 and (iii) \$613,417 from December 27, 2007 to December 31, 2007. For the three months ended March 31, 2008, the undrawn portion was \$613,417. See note W for details on the outstanding debt for the respective periods.
  
- Y. GSL Holdings intends to operate generally in jurisdictions where it will not be subject to income tax. Its principal executive office will be located in the United Kingdom where a separate subsidiary legal entity has been established. This separate entity provides administrative and support services to the group and invoices other group companies based on a cost plus an 8% margin. It is expected that the service company will invoice its affiliates approximately \$4.0 million worth of expenses. Applying the 8% margin and the corporate income tax rate prevailing in the United Kingdom of 30% will result in an income tax liability estimated to be approximately \$0.1 million.
  
- Z. Adjustment due to redomiciliation to Marshall Islands and resulting corporate tax rates. This pro forma assumption does not contemplate any adverse tax consequences. Please see Risk Factors Relating to Tax Matters.
  
- AA. Interest expense on the additional \$63,408 of long-term debt resulting from the conversion of the maximum 8,003,166 shares, based on the monthly average of 3 month LIBOR (5.31%: 2007 and 3.62%: 2008) plus 75 basis points, which is the applicable spread based on the anticipated average levels.
  
- AB. Basic income per common share is computed by dividing the earnings applicable to common shareholders by the weighted average number of Class A common shares outstanding for the period. Class B and Class C common shares would not qualify for dividends. At both March 31, 2008 and December 31, 2007, GSL Holdings has outstanding warrants to purchase 45,535,850 shares of Class A



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common shares. Diluted income per common share reflects the potential dilution assuming Class A common shares were issued upon the exercise of the outstanding warrants and the proceeds thereof were used to purchase common shares at the average market price for the first quarter of 2008 (\$7.79) and the year ended December 31, 2007 (\$7.74).

|  | <b>For the three<br/>months ended<br/>March 31,<br/>2008</b> | <b>For the<br/>year ended<br/>December 31,<br/>2007</b> |
|--|--|---|
| <b><i>For Class A Common Shares:</i></b>   |  |   |
| Weighted average number of common shares outstanding not subject to conversion                 | 41,407,684   | 41,407,684  |
| Weighted average number of common shares outstanding subject to conversion                     | 8,003,166  | 8,003,166   |
| Shares of common held by insiders transferred to Class B                                       | (5,000,000)  | (5,000,000)   |
| Shares of common issued in transaction   | 7,844,600  | 7,844,600   |
| <br>   |  |   |
| Weighted average number of shares outstanding as used in computation of basic income per share | 52,255,450   | 52,255,450  |
| Effect of diluted securities warrants  | 10,446,324   | 10,244,371  |
| <br>   |  |   |
| Shares used in computation of diluted income per share   | 62,701,774   | 62,491,821  |

The Merger will create 10,000,000 shares of Class B common shares through the conversion of 5,000,000 shares of existing Class A common shares and the new issuance of 5,000,000 Class B common shares.

Upon completion of the Merger, Class A common shareholders have rights to a quarterly dividend. Class B common shareholders will not be entitled to receive any dividends in respect of income prior to the fourth quarter of 2008 and their dividend rights will be subordinated to those of holders of Class A common shares. Within the pro forma financials, the base quarterly dividend of \$0.18 per Class A common share has not been fully met. Thus, Class B common shareholders are not entitled to receive any portion of the earnings. Class B common shares will convert to Class A common shares on a one-for-one basis after the expiration of the subordination period. Class C common shares will convert to Class A common shares on a one-for-one basis on January 1, 2009 and are not entitled to receive any dividends prior to the conversion. As the record date for the fourth quarter 2008 dividend is anticipated to be post-conversion, Class C common shareholders will be entitled to receive this dividend.

Assuming maximum conversion of 19.99% of the common stock, the aggregate amount paid to Class A common shareholders in respect of the starting dividend would be between \$7,965,412 and \$9,845,750 (depending on dilution as a result of the exercise of the warrants). Assuming no conversion of common stock, the aggregate amount paid in respect of the starting dividend would be between \$9,405,981 and \$11,286,320 (depending on dilution as a result of the exercise of the warrants).

**Table of Contents****GSL HOLDINGS SUMMARY FINANCIAL INFORMATION**

Because GSL Holdings was incorporated on March 14, 2008 and has no operating history, GSL Holdings does not have any historical financial statements for any period other than a balance sheet as of April 11, 2008.

|   | As of<br>April 11, 2008 |
|---|-------------------------|
| <b>Assets</b>   |                         |
| <b>Current assets:</b>  |                         |
| Cash and cash equivalents   | \$ 10                   |
| <b>Total current assets</b>   | <b>10</b>               |
| <b>Total assets</b>   | <b>\$ 10</b>            |
| <b>Liabilities and Shareholders Equity</b>  |                         |
| <b>Commitment and contingencies</b>   |                         |
| <b>Shareholders Equity</b>  |                         |
| Common shares (249,000,000 shares authorized, par value \$0.01 per share, 1,000 issued and outstanding)     | \$ 10                   |
| Class A common shares (214,000,000 shares authorized, par value \$0.01 per share, 0 issued and outstanding) |                         |
| Class B common shares (20,000,000 shares authorized, par value \$0.01 per share, 0 issued and outstanding)  |                         |
| Class C common shares (15,000,000 shares authorized, par value \$0.01 per share, 0 issued and outstanding)  |                         |
| Preferred shares (1,000,000 shares authorized, par value \$0.01 per share, 0 issued and outstanding)        |                         |
| Paid-in capital   |                         |
| Total shareholders equity   | 10                      |
| <b>Total liabilities and shareholders equity</b>  | <b>\$ 10</b>            |

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**SELECTED HISTORICAL COMBINED FINANCIAL AND  
OPERATING DATA OF GLOBAL SHIP LEASE**

You should read the information set forth below in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations of Global Ship Lease and Global Ship Lease's combined financial statements and notes thereto, which are referred to as Global Ship Lease's combined financial statements, included elsewhere in this joint proxy statement/prospectus. Global Ship Lease uses the term Predecessor Group to mean the container shipping services provided by the 10 secondhand vessels and two newly built vessels in Global Ship Lease's initial fleet when these vessels were owned and operated by CMA CGM and its subsidiaries rather than to mean any particular entity or entities.

The historical selected combined financial data as of March 31, 2008 and for the three months ended March 31, 2008 and March 31, 2007, as of December 31, 2007 and 2006 and for each of the years then ended together with such information for the year ended December 31, 2005 have been derived from audited and unaudited combined financial statements of Global Ship Lease included elsewhere in this joint proxy statement/prospectus. The historical selected combined financial data as of December 31, 2005 and for the year ended December 31, 2004 is derived from carve-out information of the Predecessor Group prepared by management of CMA CGM. Selected historical financial data as of December 31, 2003 and for the year then ended is not provided because carve-out financial statements for the Predecessor Group as of dates prior to January 1, 2004 and periods ending prior to such date cannot be prepared without unreasonable effort and cost. Certain financial information has been rounded, and, as a result, certain totals shown in this joint proxy statement/prospectus may not equal the arithmetic sum of the figures that should otherwise aggregate to those totals. In addition, as discussed elsewhere in joint proxy statement/prospectus, there are significant differences between Global Ship Lease's business after the acquisition of its initial fleet and the business of Global Ship Lease's Predecessor Group to which most of the historical financial and operating data included in this joint proxy statement/prospectus statement applies. The Predecessor Group's business was the operation of vessels earning revenue from carrying cargo for customers, whereas Global Ship Lease operates as a vessel owner, earning revenue from chartering out its vessels. Accordingly, the selected historical combined financial data, which includes mainly the Predecessor Group's trading activities of the vessels earning freight rates or revenue from carrying cargo for third party customers, are not indicative of the results Global Ship Lease would have achieved had it historically operated as an independent shipowning company earning charterhire or of Global Ship Lease's future results. This information should be read together with, and is qualified in its entirety by, Global Ship Lease's combined financial statements and the notes thereto included elsewhere in this joint proxy statement/prospectus.

**Table of Contents****GLOBAL SHIP LEASE, INC.**

The following combined financial information is not representative of Global Ship Lease's future operations as Global Ship Lease will derive its revenue only from chartering out its vessels under long-term fixed rate time-charters. Please refer to the GSL Holdings unaudited pro forma financial information included elsewhere in this joint proxy statement/prospectus, which reflects the pro forma effects of these charters and related agreements on Global Ship Lease's results of operations and financial condition.

|  | Selected combined financial information |               |                         |                |               |               |
|--|---|---------------|-------------------------|----------------|---------------|---------------|
|  | Three months ended March 31,            |               | Year ended December 31, |                |               |               |
|  | 2008                                    | 2007          | 2007                    | 2006           | 2005          | 2004          |
| (in millions of U.S. dollars, except per share data) |   |               |                         |                |               |               |
| <b>Statement of Income</b>                           |   |               |                         |                |               |               |
| <b>Operating revenues:</b>                           |   |               |                         |                |               |               |
| Freight revenue (1)                                  | \$ 2.1                                  | \$ 77.0       | \$ 332.2                | \$ 299.6       | \$ 111.6      | \$ 58.1       |
| Time charter revenue (2)                             | 21.8                                    |               | 2.9                     |                |               |               |
| <b>Operating expenses:</b>                           |   |               |                         |                |               |               |
| Voyage expenses (3)                                  | (1.9)                                   | (58.5)        | (249.5)                 | (213.1)        | (70.2)        | (38.6)        |
| Vessel expenses                                      | (7.3)                                   | (5.8)         | (24.0)                  | (22.6)         | (13.7)        | (8.7)         |
| Depreciation   | (5.0)                                   | (3.8)         | (16.1)                  | (16.7)         | (7.2)         | (5.3)         |
| General and administrative (4)                       | (0.7)                                   | (2.9)         | (17.8)                  | (11.3)         | (2.7)         | (1.3)         |
| Other operating income / (expense)                   | (0.3)                                   | (0.1)         | 2.3                     | 11.9           | (2.5)         |               |
| <b>Total operating expenses</b>                      | <b>(15.3)</b>                           | <b>(71.0)</b> | <b>(304.9)</b>          | <b>(251.9)</b> | <b>(96.2)</b> | <b>(53.9)</b> |
| <b>Operating income</b>                              | <b>8.6</b>                              | <b>5.9</b>    | <b>30.2</b>             | <b>47.7</b>    | <b>15.4</b>   | <b>4.2</b>    |
| <b>Non operating income/expense</b>                  |   |               |                         |                |               |               |
| Interest income                                      | 0.3                                     |               | 0.2                     |                |               |               |
| Interest expense                                     | (8.2)                                   | (2.5)         | (13.6)                  | (15.1)         | (6.4)         | (2.6)         |
| <b>Income before income taxes</b>                    | <b>0.7</b>                              | <b>3.5</b>    | <b>16.8</b>             | <b>32.7</b>    | <b>9.0</b>    | <b>1.7</b>    |
| Taxes on income                                      |   |               |                         |                |               |               |
| <b>Net income</b>                                    | <b>\$ 0.6</b>                           | <b>\$ 3.5</b> | <b>\$ 16.8</b>          | <b>\$ 32.7</b> | <b>\$ 9.0</b> | <b>\$ 1.7</b> |
| Net income per share in thousand \$ per share        |   |               |                         |                |               |               |
| Basic and diluted (5)                                | 6                                       | 35            | 168                     | 327            | 90            | 17            |
| Weighted average number of common shares outstanding |   |               |                         |                |               |               |
| Basic and diluted                                    | 100                                     | 100           | 100                     | 100            | 100           | 100           |
| <b>Statement of cash flow</b>                        |   |               |                         |                |               |               |
| Net cash from operating activities                   | \$ 3.9                                  | \$ 5.9        | \$ 56.6                 | \$ 22.8        | \$ 17.4       | \$ 3.0        |
| <b>Balance sheet data (at period end)</b>            |   |               |                         |                |               |               |
| Total current assets                                 | 8.8                                     | n/a           | 192.9                   | 32.1           | 11.2          | n/a           |
| Total vessels  | 471.9                                   | n/a           | 475.3                   | 286.2          | 177.8         | n/a           |
| Total assets   | 485.9                                   | n/a           | 674.6                   | 344.5          | 203.0         | n/a           |
| Long-term debt (current and non-current portion)     | 401.1                                   | n/a           | 401.1                   | 139.2          | 109.9         | n/a           |
| Shareholder loan (6)                                 | 176.9                                   | n/a           | 176.9                   |                |               | n/a           |
| Stockholder's Equity                                 | (101.0)                                 | n/a           | 87.5                    | 170.0          | 18.4          | n/a           |

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- (1) This line item reports revenue earned by the Predecessor Group by carrying cargo on the vessels.
- (2) This line item reports revenues earned from Global Ship Lease's chartering business following the purchase of its initial fleet of 10 secondhand vessels in December 2007.
- (3) This line item reports the voyage related expenses of carrying cargo by the Predecessor Group.
- (4) Global Ship Lease's combined financial statements include the general and administrative expenses incurred by its Predecessor Group related to its operations and such costs incurred by Global Ship Lease as a wholly owned subsidiary of CMA CGM. Subsequent to the completion of the Merger, Global Ship Lease will incur additional administrative expenses, including legal, accounting, treasury, premises, securities regulatory compliance and other costs normally incurred by an independent listed public entity. Accordingly, general and administrative expenses incurred by and allocated to the Predecessor Group do not purport to be indicative of future expenses.
- (5) The weighted average number of shares outstanding of Global Ship Lease as of March 31, 2008 has been used for purposes of computing earnings per share for all presented prior periods.
- (6) Amounts due to group companies that will not be assumed by GSL Holdings following completion of the Merger.

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

**AND RESULTS OF OPERATIONS OF GLOBAL SHIP LEASE**

*The following discussion of the financial condition and results of operations for Global Ship Lease and Global Ship Lease's Predecessor Group, or the Predecessor Group, should be read in conjunction with Global Ship Lease's combined financial statements and the related notes and the financial and other information included elsewhere in this joint proxy statement/prospectus. The term combined financial statements refers to the combined financial statements of Global Ship Lease, and its subsidiaries, and the Predecessor Group. The term Predecessor Group refers to the container shipping services provided by CMA CGM, and certain of its subsidiaries, using the vessels of Global Ship Lease's initial fleet. CMA CGM and its subsidiaries are in the business of providing container shipping services to shippers and earning revenue by carrying containerized cargo, whereas Global Ship Lease is a vessel owner earning revenue from chartering out its vessels.*

**Overview**

The combined financial statements include:

the carve out financial information reflecting the results and financial position of the 10 secondhand vessels and two newly built vessels (from their dates of purchase by the Predecessor Group) as they were operated by the Predecessor Group, in its business as a container shipping company, for the period up to the dates in December 2007 that CMA CGM transferred the 10 secondhand vessels to Global Ship Lease, and the dates in January 2008 that CMA CGM transferred the two newly built vessels to Global Ship Lease; and

the results and financial position of the 10 secondhand vessels and the two newly built vessels as they were operated by Global Ship Lease, in its business as a vessel owner earning revenue from chartering out vessels, from the dates of the vessels' acquisition in December 2007 and January 2008 by Global Ship Lease from CMA CGM.

Assets, liabilities, revenues and expenses that relate to the Predecessor Group have been included where relevant in the combined financial statements. The shipping interests and other assets, liabilities, revenues and expenses of the Predecessor Group that do not relate to the 12 vessels in Global Ship Lease's initial fleet are not included in the combined financial statements.

The combined financial statements have been prepared in accordance with U.S. GAAP and are presented in United States dollars.

This discussion contains forward-looking statements based on assumptions about Global Ship Lease's future business. Global Ship Lease's actual results will likely differ materially from those contained in the forward-looking statements. See Special Note Regarding Forward-Looking Statements.

**Future Business**

Global Ship Lease acquired the 10 secondhand vessels and two newly built vessels of its initial fleet in December 2007 and January 2008, respectively. Global Ship Lease anticipates growing its fleet through the acquisition of four additional vessels from CMA CGM, including one newbuilding, in December 2008 and one secondhand vessel in July 2009. Global Ship Lease has chartered the 12 vessels in its initial fleet, and will charter the vessels in its contracted fleet, to CMA CGM under fixed-rate time charters, with staggered expirations, for terms that range from five years to 17 years, resulting in a non-weighted average term of 11 years. Each charter commenced or commences on the delivery of the vessels to Global Ship Lease.

Global Ship Lease has also entered into ship management agreements with its Ship Manager for the day-to-day technical management of its vessels. See Global Ship Lease's Ship Manager and management related agreements Management Agreements for a more detailed description of Global Ship Lease's ship management agreements. Prior to Global Ship Lease's purchase of the vessels, the Predecessor Group had been performing the ship management, where relevant, for the vessels in Global Ship Lease's initial fleet.

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Global Ship Lease commenced its business operations on December 2007 with its acquisition of the 10 secondhand vessels from CMA CGM. Global Ship Lease's future operations will differ significantly from the historical operations of the Predecessor Group. The Predecessor Group's historical carve-out financial information included in the combined financial statements is based on the Predecessor Group's historical operations. In particular, Global Ship Lease expects to generate revenues primarily from charter payments made to it by the charterers of Global Ship Lease's vessels and not from freight rates for transporting cargoes, as did the Predecessor Group. Costs will be similarly different. Global Ship Lease believes that its expenses will consist mainly of fees and vessel operating expenses under its ship management agreements as well as general and administrative expenses. Global Ship Lease believes that its charters and fixed fee and capped operating costs arrangements will provide it with a stable cash flow that is sufficient for Global Ship Lease's present operating requirements.

Because Global Ship Lease's operations as shipowner will differ significantly from the business operations of the Predecessor Group as a ship operator, trends or performance that likely had a material effect on the Predecessor Group's revenues will likely have limited direct impact on Global Ship Lease's future revenues, except to the extent that these trends are a result of changing economic conditions in the overall containership industry, which may generally affect the global demand for and the supply of containerships.

Global Ship Lease's financial results will be largely driven by the following factors:

the number of vessels in Global Ship Lease's fleet and their charter rates;

the number of days that Global Ship Lease's vessels are utilized and not subject to drydocking, special surveys or otherwise off-hire; and

Global Ship Lease's ability to control its fixed and variable expenses, including ship management fees, ship operating costs, drydock costs, and general, administrative and other expenses, including insurance. Operating costs may vary from month to month depending on a number of factors, including the timing of purchases of lube oil, crew changes and delivery of spare parts.

Global Ship Lease has entered into long-term fixed rate time charters for all of its vessels. Global Ship Lease expects that its base revenue will be largely fixed until (a) any of its charters terminates and it will need to seek a renewal or recharter at possibly a different rate, or (b) it acquires additional vessels. Global Ship Lease's revenue in a particular quarter will also partly depend on the actual delivery dates of the vessels that it has agreed to purchase from CMA CGM. As discussed further below, operational matters such as off-hire days for planned maintenance or for unexpected accidents and incidents may affect the actual amount of revenues Global Ship Lease receives. Global Ship Lease's shortest time charter agreement is five years and it does not expect to have to obtain new charters for any of the vessels in its initial and contracted fleet before the expiration of each charter. The charterhire rate that it will be able to achieve on renewal will be affected by market conditions at that time as discussed further in "The international containership industry" Ship charter rates.

CMA CGM will initially be Global Ship Lease's only customer and all of the 12 vessels in the initial fleet are, and the five vessels in the contracted fleet will be, chartered to CMA CGM under long-term time charters. These charter payments will be Global Ship Lease's sole source of operating cash flow. At any given time in the future, the cash resources of the initial Charterer may be diminished or exhausted, and Global Ship Lease cannot assure its shareholders that the initial Charterer will be able to make charter payments to it. If the initial Charterer is unable to make charter payments to it, Global Ship Lease's results of operations and financial condition will be materially adversely affected. Currently, Global Ship Lease has good commercial relations with CMA CGM, and CMA CGM believes it will be able to meet its commitments under its charter agreements with Global Ship Lease.

Part of Global Ship Lease's business strategy is to grow its customer base. If Global Ship Lease's existing charters with CMA CGM were terminated, Global Ship Lease believes it could recharter such vessels at rates in today's market at least similar to its existing rates over similar time periods, although it cannot be certain that this would be the case. If market rates decline, and Global Ship Lease was required to recharter at lower rates, its results of operations and financial condition could be materially adversely affected.

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### **Critical Accounting Policies and Estimates**

The combined financial statements have been prepared in accordance with U.S. GAAP, which requires Global Ship Lease to make estimates in the application of certain accounting policies based on its best assumptions, judgments and opinions. Global Ship Lease bases these estimates on the information currently available to it and on various other assumptions it believes are reasonable under the circumstances. The following is a discussion of the principal accounting policies of Global Ship Lease and the Predecessor Group, some of which involve a high degree of judgment, and the methods of their application.

For a further description of Global Ship Lease's material accounting policies, please read notes 1 and 2 to the combined financial statements included elsewhere in this joint proxy statement/prospectus.

### **Combined Financial Statements of the Vessels of Global Ship Lease's Initial Fleet**

The combined financial statements reflect mainly the financial position, results of operations and cash flows of the 10 secondhand vessels of Global Ship Lease's initial fleet as they were operated by the Predecessor Group, in its business as a containership operator, up to the dates that those vessels were acquired by Global Ship Lease from CMA CGM in December 2007 and the two newly built vessels for the period of the Predecessor Group's ownership up to dates in January 2008 when they were also acquired by Global Ship Lease. The relevant financial information has been carved out of the consolidated financial statements of CMA CGM and its subsidiaries. The Predecessor Group's business is as a containership operating company providing cargo transportation services, not as an independent shipowner as Global Ship Lease's business will be. Global Ship Lease believes that the information on these vessels, including their assets, liabilities, results of operations and cash flows, reasonably represent each of those vessels' financial position, results of operations and cash flows for the Predecessor Group. However, the carve-out financial information on those vessels and their financial positions, results of operations and cash flows are not indicative of those that would have been realized had those or all the vessels of Global Ship Lease's initial fleet been operated by it as an independent, stand-alone shipowning entity for the periods presented. The combined financial statements include only approximately 159 ship days in December when the 10 secondhand vessels were owned by Global Ship Lease and operated by it in its business as a vessel owner chartering out its vessels on long-term time charters. Accordingly, the financial position, results of operations and cash flows reflected in the combined financial statements are not indicative of those that would have been achieved had Global Ship Lease's operated as an independent, stand-alone entity for the periods presented or of future results.

### **Revenue Recognition**

Unlike the Predecessor Group, whose revenue is derived from freight revenue generated by cargo transportation services, Global Ship Lease's charter revenue will be generated from long-term time charters for each vessel. The charters provide for a per vessel fixed daily charterhire rate and revenue is recorded as earned. Assuming Global Ship Lease's vessels are not off-hire, Global Ship Lease's charter revenues are fixed and, accordingly, little judgment is required to be applied to the amount of revenue recognition.

### **Vessel Lives**

Vessels represent Global Ship Lease's most significant tangible assets and Global Ship Lease states them in its financial statements at Global Ship Lease's historical cost as carved out from the CMA CGM consolidated financial statements at the dates of transfer, which includes where relevant capitalized interest during construction and other construction, design, supervision and pre-delivery costs less accumulated depreciation. Global Ship Lease depreciates its vessels using the straight-line method over their estimated useful lives. Global Ship Lease reviews the estimate of its vessels' useful lives on an ongoing basis to ensure they reflect current technology, service potential and vessel structure.

On a prospective basis, for accounting purposes, from the date of purchase of the vessels by it, Global Ship Lease estimates the useful life of each of its vessels to be 30 years; whereas the estimated useful life of the

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vessels was 25 years when operated by the Predecessor Group. This change in the estimated useful life reflects the fact that Global Ship Lease is a vessel owner, whereas CMA CGM is a container shipping company. As a vessel owner, with vessels being Global Ship Lease's principal assets, Global Ship Lease anticipates that it will be able to earn revenue from its vessels at least until they are 30 years old. CMA CGM, one of the largest global container shipping companies in the world, considers the useful life of its vessels to be 25 years. This change in estimated useful life period has a positive effect on net income amounting to \$0.1 million for the year ended December 31, 2007. If this change had been reflected in Global Ship Lease's combined financial statements, effective as of January 1, 2007, the positive effect on net income would have been \$2.9 million.

Should certain factors or circumstances cause Global Ship Lease to revise its estimate of vessel service lives in the future, depreciation expense could be materially lower or higher. Such factors and circumstances 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 Global Ship Lease's control.

## **Derivative Instruments**

The Predecessor Group entered into bunker derivative agreements to reduce its exposure to cash flow risks from changing bunker prices. In accordance with the requirements of U.S. GAAP, Global Ship Lease has recognized these derivative instruments on its balance sheet at fair value with the changes in the fair value of these derivative instruments recognized in the statement of income or deferred in equity within

Accumulated other comprehensive income/(loss) until settlement of the hedge transaction. Global Ship Lease does not expect to enter into such hedging transactions in its future business as bunker costs will be borne by its charterers.

In connection with its credit facility, Global Ship Lease expects that it will enter into interest rate swap agreements to reduce its exposure to cash flow risks from floating interest rates. See Interest Rate Risk for more information about Global Ship Lease's interest rate swap agreements. If Global Ship Lease does so, the swaps may be accounted for as hedging instruments if they are designated as such and are effective in mitigating the risks of changes in interest rates over the term of the debt. As a result, changes in the fair value of the interest rate swaps would be excluded from earnings until settled. If such swaps are not accounted for as hedging instruments, Global Ship Lease will recognize them on its balance sheet at fair value with the changes in the fair value of these derivative instruments recognized in the statement of income or deferred in equity within Accumulated other comprehensive income/(loss) until settlement of the hedge transaction. Global Ship Lease will not hold or issue derivative financial instruments for trading or other speculative purposes.

## **Impairment of Long-lived Assets**

In accordance with SFAS 144 Accounting for the Impairment or Disposal of Long-Lived Assets, Global Ship Lease's long-lived assets are regularly reviewed for impairment. Global Ship Lease performs the impairment valuations at the individual vessel level pursuant to paragraph 10 of SFAS 144.

To determine whether there is an impairment indicator, Global Ship Lease compares the sum of the undiscounted future cash flows resulting from existing charters for each vessel less operating expenses, plus the expected undiscounted residual value of each vessel at the end of the charter, with its book value at the end of each reporting period in order to determine if the book value of such vessel is recoverable. The residual value at the end of the charter is determined taking into account the impact of possible future new charters and/or the eventual disposition of the vessel.

The assumptions used to determine whether the sum of undiscounted cash flows expected to result from the use and eventual disposition of the vessels exceeds the carrying value involve a considerable degree of estimation on the part of Global Ship Lease's management team. Actual results could differ from those estimates, which could have a material effect on the recoverability of the vessels.

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The most significant assumptions used are:

the determination of the possible future new charters, future market values and/or the eventual disposition of each vessel. Estimates are based on market studies and appraisals made by independent shipping analysts and brokers, and assessment by management on the basis of market information, shipping newsletters, chartering and sale of comparable vessels reported in the press. Appraisals are made by independent appraisers, but are not based on a physical inspection of each vessel;

the days on-hire which are estimated at a level consistent with Global Ship Lease's on-hire statistics;

future operating costs; and

the drydock expenses which are estimated based on one drydock every five years.

Whenever the sum of the undiscounted future cash flows resulting from the charter of each vessel less operating expenses plus its expected residual value is above its book value, Global Ship Lease considers that there is no indication of impairment. Whenever the sum of the undiscounted future cash flows resulting from the charter of each vessel less operating expenses plus its expected residual value is below its book value, Global Ship Lease considers that there is a potential impairment and perform a recoverability test.

An impairment loss will be recognized if the carrying value of the vessel exceeds the sum of the discounted cash flows expected to result from the use and eventual disposition of the vessel.

### **Drydocking**

Global Ship Lease's drydocking costs are recognized as a component of the cost of the related vessel depreciated to the date of the next drydocking. Global Ship Lease's vessels are drydocked approximately every five years for major repairs and maintenance that cannot be performed while the vessels are operating. Costs associated with the drydocks will be capitalized as a component of the cost of the relevant vessel as they occur and be amortized on a straight line basis over the period to the next anticipated drydock. Other expenditures relating to maintenance and repairs are expensed when incurred.

Costs capitalized as part of the drydock include costs directly associated with the required regulatory inspection of the ship, its hull and its machinery and for the defouling and repainting of the hull. Any cost of repair to hull or machinery that extends useful life is capitalized. Other repair costs are expensed. In 2007, three vessels of Global Ship Lease's initial fleet were drydocked for a total cost of \$4.7 million.

### **Results of Operations**

#### ***Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007***

Comparison between these two periods is of limited value as operations in the three months ended March 31, 2008 are comprised almost entirely of Global Ship Lease's on-going business of owning and chartering out containerships under time charters, whereas operations in the three months ended March 31, 2007 were comprised entirely of the Predecessor Group earning revenue from the transportation of containerized cargo.

#### ***Total operating revenue***

Time charter revenue of \$21.8 million in three months ended March 31, 2008 reflects income under the fixed rate time charters in effect, including 10 vessels owned for the entire quarter and the two newly built vessels owned since their purchases on January 9 and January 16, 2008. The total number of on-hire days was 1,048 out of 1,067 ownership days resulting in a utilization rate of 98%. Of the 19 off-hire days, 15 were for the planned drydocking of the *MOL Rainbow* and four, representing less than 0.5%, were unplanned. There was no time charter revenue in the comparative prior year period as Global Ship Lease was not established.



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Freight revenue of \$2.1 million in the three months ended March 31, 2008 is the revenue earned by the Predecessor Group in carrying cargo on the two newly built vessels up to the date of sale to Global Ship Lease. Freight revenue at \$77.0 million in the comparative prior year period is significantly higher as it represents the Predecessor Group's freight revenue carrying containerized cargo on the 10 ships owned by it during the three months ended March 31, 2007 that are now owned by Global Ship Lease.

This revenue of \$77.0 million 2007 was split between a revenue of \$43.3 million generated by the CMA CGM fleet, namely *CMA CGM Matisse*, *CMA CGM Utrillo*, *CMA CGM La Tour*, *CMA CGM Manet*, *Ville D Orion* and *Ville d Aquarius* on the Europe to Australia trade for the first four vessels and on the Asia to United States for the last two vessels, while the four Delmas vessels, namely *Kumasi*, *Marie Delmas*, *Julie Delmas* and *MOL Rainbow* generated a revenue of \$33.7 million on the Europe to West Africa trade. *CMA CGM Chateau d If* and *CMA CGM Alcazar* were not in the fleet until the end of 2007 and therefore did not contribute any revenue in the three months ended March 31, 2007.

*Operating expenses*

Operating expenses totaled \$15.3 million for the three months ended March 31, 2008 compared to \$71.0 million in the comparative prior year period. Operating expenses can be analyzed as follows:

*Voyage expenses:* Voyage expenses include items such as costs of bunker fuel, stevedoring, port costs, canal costs and inland transportation. These expenses are associated only with the Predecessor Group's activity of earning freight revenue. Such costs are for the account of the charterer under time charter agreements and are not included in Global Ship Lease's cost base going forward. Voyage expenses in the three months ended March 31, 2008 of \$1.9 million relate only to the two newly built ships for part of January whilst owned by the Predecessor Group whereas voyage expenses of \$58.5 million in the comparative prior year period related to 10 vessels for the entire quarter. These were split between a cost of \$37.2 million for the CMA CGM fleet, or an average of \$6.2 million per vessel while the Delmas fleet had a cost of \$21.3 million, an average of \$5.3 million per vessel. The average voyage expenses of the Delmas fleet are less due to the fact that the North Europe to West Africa route is a shorter route, where vessels also do not incur canal expenses, than the North Europe to Australia route.

*Vessel expenses:* Vessel expenses, which include crew costs, lubricating oils and regular maintenance, associated with time charter revenue in the three months ended March 31, 2008 were \$7.2 million equal to \$6,708 per ownership day. Vessel operating expenses associated with the Predecessor Group's freight revenue were \$0.2 million in the three months ended March 31, 2008 compared to \$5.8 million in the prior period which is substantially higher due to the greater number of ships operated by the Predecessor Group in that period. The six CMA CGM vessels accounted for \$3.5 million while the four Delmas vessels accounted for \$2.3 million. The average cost per ownership day was \$6,491.

*Depreciation:* Depreciation in the three months ended March 31, 2008 associated with time charter revenue was \$4.8 million based on Global Ship Lease's ownership days and \$0.3 million associated with freight revenue based on the ownership of the two newly built vessels by the Predecessor Group. In the comparative prior year period, depreciation accounted for \$3.8 million. This amount was split between \$2.6 million for the six CMA CGM vessels or \$0.4 million per vessel and \$1.2 million for the four Delmas vessels or \$0.3 million per vessel. Depreciation in the three months ended March 31, 2008 was \$1.0 million higher than the comparative prior year period mainly due to the effect of the two newly built vessels included only in the three months ended March 31, 2008 offset by the impact of the application of the 30 year vessel life in that period compared to 25 years in the prior year period.

*General and Administrative:* General and administrative costs incurred in the three months ended March 31, 2008 were \$0.7 million. Approximately \$0.1 million of CMA CGM general and administrative costs were allocated to the two newly built vessels for the period of their ownership by the Predecessor Group. In the comparative prior year period \$2.9 million CMA CGM general and administrative costs were allocated to the 10 vessels owned and operated by the Predecessor Group during that period.

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*Other operating expenses:* For the three months ended March 31, 2008, other operating expense was \$0.3 million and was entirely attributable to the Predecessor Group. In the comparative prior year period, other operating expense was \$0.1 million.

### *Operating Income*

As a consequence of all preceding items operating income was \$8.6 million for the three months ended March 31, 2008 compared to \$5.9 million in the comparative prior year period.

### *Interest Income*

Interest income in the three months ended March 31, 2008 was \$0.3 million on cash deposits made by Global Ship Lease. There were no such deposits in the prior period.

### *Interest Expense*

Interest expense, which is all attributable to time charter revenue, was \$8.2 million for the three months ended March 31, 2008 and arises on Global Ship Lease's fixed rate \$176.9 million shareholder loan and, at floating rates, on \$401.1 million drawing under its \$800 million credit facility. Interest expense in the prior year period was \$2.5 million on borrowings associated with the relevant vessels and was split between \$1.4 million for the six CMA CGM vessels and \$1.1 million for the four Delmas vessels.

### *Taxes on Income*

Taxes on income were not material.

### *Net Income*

As a consequence of all preceding items net income was \$0.6 million for the three months ended March 31, 2008 compared to \$3.5 million in the prior year period.

## ***Year Ended December 31, 2007 Compared to Year Ended December 31, 2006***

Global Ship Lease has identified two main operating segments for the year ended December 31, 2007: (1) containerized transportation as performed by the Predecessor Group and (2) operations as vessel owner, Global Ship Lease's future business. All activity in the year ended December 31, 2006 was in containerized transportation by the Predecessor Group. As a result, this review of the Results of Operations is a comparison of the performance of the containerized transportation segment between the years ended December 31, 2007 and 2006, and where relevant, an analysis of the results of the vessel owner segment of Global Ship Lease as an operating company for part of December 2007.

### *Total Operating Revenue*

Operating revenue increased 12%, or \$35.5 million, from \$299.6 million in 2006 to \$335.1 million in 2007. \$32.6 million of the increase is related to the period when vessels were owned by the Predecessor Group and \$2.9 million is related to the period after the vessels had been purchased by Global Ship Lease. The \$32.6 million increase in total operating revenue for the period when vessels were under the Predecessor Group's ownership is despite the loss of approximately 160 service days due to the sale of the 10 secondhand ships in the initial fleet to Global Ship Lease in December 2007. The \$32.6 million increase is additional revenue of \$4.5 million earned after the delivery of *CMA CGM Alcazar* in November 2007, improvement on revenue for \$32.7 million on the six CMA CGM ships, mainly related to increases of freight rates out of Asia and to a reduction of \$4.6 million on the four DELMAS ships mainly related to the fact that three of these vessels were drydocked in 2007 losing approximately 40 service days. *CMA CGM Chateau d'If* was delivered to the Predecessor Group on December 27, 2007 and that vessel did not contribute to total operating revenue in the year ended December 31,

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2007. The \$2.9 million revenue in the period after Global Ship Lease purchased the 10 secondhand vessels in December 2007 is the timecharter rates in effect for the total of approximately 160 on-hire days for the 10 vessels in the month.

*Operating Expenses*

Operating expenses increased 21%, or \$53.1 million, from \$251.9 million in 2006 (or 84% of operating revenue) to \$304.9 million in 2007 (or 91% of operating revenue). Out of this amount, \$298.2 million is related to the period when vessels were under the Predecessor Group's ownership, and \$6.7 million is related to the period when the vessels were under Global Ship Lease's ownership. Operating expenses consist of the following items:

*Voyage expenses:* Voyage expenses grew 17% or \$36.3 million, from \$213.1 million in 2006 (or 71% of operating revenue) to \$249.5 million in 2007 (or 74% of operating revenue) despite the reduction in service days of approximately 160 following the sale of the vessels. Voyage expenses are trade related and refer therefore exclusively to the period when vessels were owned by the Predecessor Group. The \$36.3 million increase is related to the introduction of *CMA CGM Alcazar*, an impact of \$4.2 million, to a \$37.1 million, or 34%, increase in voyage expenses relating to CMA CGM vessels, mainly due to a 20% increase in bunker fuel price from \$305 per ton in 2006 to \$352 per ton in 2007, and to a 5%, or \$5.0, million decrease in voyage expenses relating to the Predecessor Group vessels due to the drydock period when three vessels did not incur voyage expenses.

*Vessel expenses:* Vessel expenses increased 6%, or \$1.3 million, from \$22.6 million in 2006 (or 8% of operating revenue) to \$24.0 million in 2007 (or 7% of operating revenue). The increase related to the period when vessels were under the Predecessor Group's ownership accounts for \$0.6 million while the increase related to the period when vessels were under Global Ship Lease's ownership accounts for \$0.7 million representing approximately 159 days in service for all 10 secondhand vessels.

*Depreciation:* Depreciation decreased 3%, or \$0.5 million, from \$16.7 million in 2006 (or 6% of operating revenue) to \$16.1 million in 2007 (or 5% of operating revenue). The addition of the *CMA CGM Alcazar* increased depreciation by \$0.6 million, but this increase is mitigated by the fact that depreciation on two of the vessels was calculated in 2006 in British Pounds, the functional currency of the entity owning the vessels, before being converted to U.S. dollars whilst they were directly depreciated in U.S. dollars following their transfer to a U.S. dollars functional currency entity in 2007. The main impact, however, is related to the revision of the vessels' scrap value due to the steady increase of the price of steel. The prospective change in the vessels' useful lives from 25 to 30-years following the transfer of the 10 vessels of Global Ship Lease's initial fleet accounted for \$0.1 million in this decrease.

*General and Administrative:* General and Administrative expenses grew 57%, or \$6.4 million, from \$11.3 million in 2006 (or 4% of operating revenue) to \$17.8 million in 2007 (or 5% of operating revenue). This increase is split between \$0.9 million increase relating to the period when vessels were owned by the Predecessor Group and to \$5.5 million when vessels were owned by Global Ship Lease. The \$0.9 million increase reflects the addition of the *CMA CGM Alcazar* and a currency translation effect on certain general and administrative costs denominated in Euro while the \$5.5 million under Global Ship Lease's ownership reflects mainly one off costs relating to the establishment of the corporation and the costs of the initial public offering of Global Ship Lease that was postponed in November 2007.

*Other operating expenses/income:* Other operating expenses changed from an income of \$11.9 million in 2006 to an income of \$2.3 million in 2007. The change is related to a change in the valuation of bunker hedges.

*Operating Income*

As a consequence of all preceding items operating income decreased 37%, or \$17.6 million, from \$47.7 million in 2006 to \$30.1 million in 2007.

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### *Interest Income*

Interest income was \$0.2 million (\$0 in 2006) being interest earned on cash deposits made by Global Ship Lease.

### *Interest Expense*

Interest expense decreased 10%, or \$1.5 million, from \$15.1 million in 2006 (or 5% of operating revenue) to \$13.6 million in 2007 (or 4% of operating revenue). Interest expenses relating to the period when vessels were owned by the Predecessor Group accounts for \$12.3 million while the period relating to Global Ship Lease ownership incurred a cost of \$1.3 million. The reduction in interest expenses relating to the period when vessels were owned by the Predecessor Group from \$15.1 million to \$12.3 million is mainly related to (i) debt on *CMA CGM La Tour* and *CMA CGM Manet* being repaid at the end of 2006 and (ii) debt on the eight other secondhand vessels in the initial fleet being repaid during 2007, and certain positive currency translation effects on vessel financings. These positive effects were offset by the write off of unamortized deferred financing costs associated with the repaid debt.

### *Taxes on Income*

The Predecessor Group was not subject to taxes on income for the periods presented by the combined financial statements. Global Ship Lease is exposed to the risk of UK corporate taxation liability based on the operation of its UK service company subsidiary.

### *Net Income*

As a result of all preceding items, net income decreased \$15.9 million or 49% from \$32.7 million in 2006 to \$16.8 million in 2007.

## **Global Ship Lease's Liquidity and Capital Resources**

### *Three months ended March 31, 2008 and 2007*

For the three months ended March 31, 2008 Global Ship Lease's operating activities were comprised almost entirely of the chartering out of vessels under time charters. Net cash provided by operating activities was \$3.9 million reflecting net income of \$0.6 million, depreciation and amortization expense of \$5.2 million, \$0.1 million change in fair value of financial derivative instruments less \$0.4 million payment of drydock costs and \$1.7 million deterioration in net working capital.

For the three months ended March 31, 2007 when the operating activities were comprised exclusively the carrying of containerized cargo by the Predecessor Group, net cash provided by operating activities was \$5.9 million reflecting net income of \$3.5 million, depreciation and amortization expense of \$4.0 million, \$1.9 million change in fair value of financial derivative instruments less \$1.1 million settlement of hedges which did not qualify for hedge accounting, \$1.2 million payment of drydock costs and \$1.1 million deterioration in net working capital.

There was no use of cash for investing activities during the three months ended March 31, 2008 whereas in the prior period \$1.1 million was received for the settlement of hedges.

For the three months ended March 31, 2008 net cash used by financing activities was \$1.5 million including cash in flow of \$188.0 million from the release of cash on restricted deposit which was used to part fund the reduction of \$188.7 million in the amount due to CMA CGM on the purchase of the two newly built vessels from it. In addition there were \$0.3 million further costs associated with the establishment of the credit facility and \$0.5 million deemed distribution to CMA CGM on the purchase of the two newly built vessels in January 2008.

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For the three months ended March 31, 2007 a total of \$7.0 million was used in financing activities comprised \$3.4 million repayment of debt and \$3.6 million reduction in the amount due to CMA CGM.

Overall, the net increase in cash and cash equivalents for the three months ended March 31, 2008 was \$2.4 million compared to \$0 in the prior period.

***Year ended December 31, 2007 and 2006***

During the period covered by the combined financial statements, including both the operation of the vessels of Global Ship Lease's initial fleet by the Predecessor Group and the period after Global Ship Lease's acquisition of those vessels, the principal sources of liquidity were loans secured by the vessels and operating cash flows. In addition, in part to finance Global Ship Lease's purchase of the 10 secondhand vessels in December 2007, Global Ship Lease obtained a shareholder loan from CMA CGM. The remaining financing was provided from drawings under the credit facility. The two newly built vessels purchased in January 2008 were wholly financed by drawings under the credit facility.

For the year ended December 31, 2007, Global Ship Lease's operating activities, largely those of the Predecessor Group until Global Ship Lease's acquisition of the 10 secondhand vessels in December 2007, generated \$56.6 million. This amount reflects net income of \$16.8 million, depreciation and amortization expenses of \$18.3 million, \$9.1 million change in the fair value of financial derivative instruments less payment of drydock costs of \$4.7 million. Improvements in working capital contributed \$17.0 million. In 2006, the Predecessor Group's operating activities for the year generated \$22.8 million. This amount primarily reflects a profit of \$32.7 million, depreciation and amortization expenses of \$16.7 million, less a \$10.0 million change in the fair value of financial derivative instruments settlements of hedges of \$6.9 million and payment of \$1.0 million for drydocks. Changes in working capital in that year negatively impacted the Predecessor Group's cash position by \$9.1 million, mainly related to the fact that the four additional vessels were deployed on a North Europe to West Africa route where payment delays are typically longer.

For the year ended December 31, 2007, net cash used in Global Ship Lease's and the Predecessor Group's investing activities amounted to \$183.8 million, almost entirely being the acquisition of the two newly built vessels for \$183.7 million. In 2006, net cash used in the Predecessor Group's investing activities for the year totaled \$106.3 million, which included \$107.4 million to acquire the four vessels previously owned by Delmas and \$6.9 million received for the settlement of hedges.

For the year ended December 31, 2007, net cash received from Global Ship Lease's and the Predecessor Group's financing activities was \$129.1 million. Drawings under Global Ship Lease's credit facility were \$401.1 million of which \$188.0 million was placed on deposit pending the acquisition of the two newly built vessels in Global Ship Lease's initial fleet in January 2008. A shareholder loan totaling \$176.9 million was received from CMA CGM. Out of these inflows, issuance costs of \$5.9 million for the credit facility were paid and \$146.2 million debt relating to certain vessels when owned by the Predecessor Group was repaid. The remaining cash outflow of \$108.8 million is comprised (i) a reduction of \$11.9 million in the amount due to CMA CGM within stockholders equity and (ii) a deemed distribution of \$96.9 million relating to the difference between the purchase price of the initial fleet paid by Global Ship Lease and the value at which the initial fleet was recorded in the Predecessor Group's financial statements at the dates of sale. In 2006, net cash received from Global Ship Lease's Predecessor Group's financing activities was \$83.5 million. \$57.2 million of that amount was received from the issuance of long-term debt, net of \$0.7 million issuance costs. \$64.6 million of net cash was used for the repayment of capital lease obligations related to the change in financing arrangements for the *CMA CGM La Tour* and *CMA CGM Manet*. Amounts payable to CMA CGM within stockholders equity increased by \$110.0 million largely in connection with the acquisition of the four vessels delivered at the beginning of 2006 and the repayment of the financing of *CMA CGM La Tour* and *CMA CGM Manet*. Repayment of long-term debt totaled \$19.1 million in 2006.

**Table of Contents****Global Ship Lease's Credit Facility**

Global Ship Lease has established an eight year \$800.0 million senior secured revolving credit facility with Fortis Bank (Nederland) N.V., the Agent, Citibank Global Markets Limited, HSH Nordbank AG, Sumitomo Mitsui Banking Corporation, Brussels Branch, KfW and DnB Nor Bank ASA.

Borrowings under the credit facility bear interest at a rate of the margin over one, three, six, nine or 12 month United States Dollar LIBOR, or such other periods as the Agent may agree. The margin will depend on the leverage ratio, which is defined as the aggregate amount outstanding under the credit facility net of surplus cash held in the retention account to the aggregate market value of the vessels securing the credit facility. The charter-free market value of a vessel is calculated semi-annually as the arithmetic average of valuations determined by two independent sale and purchase brokers acceptable to the Agent. Set forth below is the margin that applies to the applicable leverage ratio. Interest is payable at least quarterly.

| <b>Leverage Ratio</b>   | <b>Margin</b> |
|-------------------------|---------------|
| Up to 50%               | 0.75%         |
| Greater than 50% to 60% | 0.80%         |
| Greater than 60% to 70% | 0.90%         |
| Greater than 70% to 75% | 1.10%         |

During the continuance of any principal or interest default, the margin will increase by 2%.

Global Ship Lease's ability to borrow amounts under its credit facility is subject to the execution of customary documentation, including security documents, satisfaction of certain customary conditions precedent and compliance with terms and conditions included in the loan documents. Subject to meeting certain requirements, Global Ship Lease can borrow under the facility to acquire additional vessels that will be included in the security package. In certain limited circumstances, Global Ship Lease can utilize the credit facility to purchase vessels that will not be required to form part of the security package. In order to draw funds under the credit facility, Global Ship Lease's total borrowings under the credit facility must not exceed 70% of the aggregate charter-free market value of the vessels within the security package.

The credit facility amount will reduce, commencing five years from December 10, 2007, the date of closing of the credit facility, in 12 equal quarterly installments calculated in accordance with the provisions of the credit facility. Global Ship Lease must repay any amount outstanding that is in excess of the newly-reduced maximum credit facility amount. Any amount outstanding under the credit facility at the maturity date must be repaid in one installment.

See Global Ship Lease Credit Facility for further details on Global Ship Lease's credit facility, including a description of the security to be provided, covenants and events of default.

Global Ship Lease financed the purchase of the 10 secondhand vessels in December 2007 with \$213.1 million of borrowings under the credit facility and drawings of \$171.9 million under a shareholder loan made between Global Ship Lease and CMA CGM. In addition, Global Ship Lease drew approximately \$5.0 million under the shareholder loan to pay lenders' fees and expenses in connection with the credit facility bringing the total borrowings under the shareholder loan to \$176.9 million. Prior to December 31, 2007, Global Ship Lease drew a further \$188.0 million under the credit facility, which was placed on restricted cash deposit, in order to pay for the two newly built vessels of Global Ship Lease's initial fleet purchased in January 2008. Total drawings under the credit facility as at December 31, 2007 were \$401.1 million. It is anticipated that the aggregate amount of outstanding borrowings under the Global Ship Lease credit facility upon the closing of the Merger will total between approximately \$186.6 million and \$250.0 million depending on how much cash is available in the trust account to repay outstanding borrowings. This will in turn depend on the number of Marathon stockholders who have opted to convert their shares of common stock for cash from the trust account. The shareholder loan of \$176.9 million is to be cancelled on the closing of the Merger.

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Pursuant to the terms of the merger agreement, \$99.0 million of the total \$355.0 million purchase price of the four vessels of Global Ship Lease's first contracted fleet to be acquired in December 2008 will be prepaid by the issuance of 12,375,000 Class C common shares of GSL Holdings to CMA CGM. The balance of the purchase price of \$256.0 million will be settled by further borrowings under Global Ship Lease's credit facility. Global Ship Lease intends to borrow an additional \$82.0 million under its credit facility to purchase its second contracted fleet in July 2009.

After the closing of the Merger and the purchase of the five ships in Global Ship Lease's contracted fleet, the total anticipated drawings from Global Ship Lease's credit facility will be \$524.6 million assuming no conversions and without giving effect to the starting dividend, resulting in \$275.4 million of undrawn credit facility capacity which Global Ship Lease believes will be fully available to fund future ship purchases, for working capital, and for other corporate expenses.

Global Ship Lease's net cash flows from operating activities correspond directly with the number of vessels under charter, days on-hire, vessel charter rates, operating expenses, drydock costs and general and administrative expenses. Global Ship Lease's net cash flows from operating activities will not be exposed to the same fluctuations in operating expenses to which the Predecessor Group's cash flows were subject. Pursuant to Global Ship Lease's ship management agreements, Global Ship Lease has agreed to pay its Ship Manager an annual management fee of \$114,000 per vessel and it will reimburse its Ship Manager for operating costs it incurs on Global Ship Lease's behalf up to a quarterly cap pursuant to the global expense agreement (other than drydocking expenses and insurance premiums which will not be subject to the cap). Global Ship Lease will collect its charterhire 15 days in advance and pay its estimated ship management costs monthly in advance. Although Global Ship Lease can provide no assurances, it expects that its cash flow from its chartering arrangements will be sufficient to cover its ship management costs and fees, interest payments, commitment fees and other financing costs under its credit facility, insurance premiums, vessel taxes, general and administrative expenses and other costs and any other working capital requirements for the short and medium term and planned drydocking expenses. Based on such arrangements, Global Ship Lease expects that its operating cash flow will be stable for at least the initial three year terms of the ship management agreements and will be sufficient to fund its working capital requirements.

Under the terms of Global Ship Lease's credit facility, it may not pay dividends if there is a continuing default under the credit facility, if the payment of the dividend would result in a default or breach of any other loan covenant or if Global Ship Lease's payments into a pledged retention account are not fully up to date. Furthermore, it is probable that the market value of Global Ship Lease's vessels will decrease over time, as vessels generally decrease in value as they age. In addition to depreciation, the market value of Global Ship Lease's vessels can fluctuate substantially depending on market supply and demand for vessels. Consequently, the ratio of Global Ship Lease's outstanding borrowings under its credit facility relative to the asset value of its vessels will likely increase, which will negatively affect Global Ship Lease's ability to comply with its financial ratio covenants. This, in turn, will impact Global Ship Lease's ability to pay dividend payments. In addition, in December, 2012, five years from the date of the closing of the credit facility, the amounts available for borrowing will be permanently reduced. Therefore, unless Global Ship Lease is able to obtain other financing or funding sources or refinance borrowings under Global Ship Lease's credit facility with new indebtedness that has a later maturity date, then in December 2012, five years after the closing of the Merger, the amount of cash that Global Ship Lease will have available to pay as dividends in any period may be decreased by the amount of any principal repayments that Global Ship Lease is required to make.

Over the five years following the closing of the Merger, Global Ship Lease estimates that the average cost of the first drydocking of each of the 17 vessels of its initial and contracted fleet will be \$940,000. Global Ship Lease has included a schedule of the next anticipated drydocking date for each of Global Ship Lease's vessels in the section of this joint proxy/prospectus entitled "Inspection by Classification Societies."

If necessary, Global Ship Lease may fund its working capital requirements or vessel acquisitions with borrowings under its credit facility (subject to the restrictions set forth therein). Global Ship Lease's longer term

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liquidity requirements include repayment of the principal balance of its credit facility. In addition to funds retained in the business, Global Ship Lease will require new borrowings, issuances of equity or other securities, or a combination of the former and the latter to meet this repayment obligation.

**Contractual Obligations**

The contractual obligations presented in the two tables below represent Global Ship Lease's estimates of future payments under fixed contractual obligations and commitments as of March 31, 2008, first without giving effect to the transactions contemplated in the merger agreement and second after giving effect to the transactions contemplated by the merger agreement. Changes in Global Ship Lease's business needs or in interest rates, as well as actions by third parties and other factors, may cause these estimates to change. These estimates are necessarily subjective and Global Ship Lease's actual payments in future periods are likely to vary from those presented in the table.

| <b>Contractual Obligations without Merger</b>         | <b>Less than<br/>1 year</b>          | <b>1-3<br/>years</b> | <b>3-5<br/>years</b> | <b>More than<br/>5 years</b> | <b>Total</b> |
|---|--------------------------------------|----------------------|----------------------|------------------------------|--------------|
|   | <b>(in millions of U.S. dollars)</b> |                      |                      |                              |              |
| Long-term debt obligations <sup>(1)</sup>             | \$ 401.1                             | \$                   | \$                   | \$                           | \$ 401.1     |
| Interest on long-term debt obligations <sup>(2)</sup> | 9.1                                  |                      |                      |                              | 9.1          |
| Ship management agreements <sup>(3)</sup>             | 1.5                                  | 3.5                  | 0.5                  |                              | 5.5          |
| Asset purchase agreement <sup>(4)</sup>               | 355.0                                | 82.0                 |                      |                              | 437.0        |
| Shareholder loan <sup>(5)</sup>                       | 176.9                                |                      |                      |                              | 176.9        |
| Shareholder loan interest <sup>(6)</sup>              | 4.7                                  |                      |                      |                              | 4.7          |
|   | \$ 949.8                             | \$ 85.5              | \$ 0.5               |                              | \$ 1,035.8   |

| <b>Contractual Obligations with Merger</b>            | <b>Less than<br/>1 year</b>          | <b>1-3<br/>years</b> | <b>3-5<br/>years</b> | <b>More than<br/>5 years</b> | <b>Total</b> |
|---|--------------------------------------|----------------------|----------------------|------------------------------|--------------|
|   | <b>(in millions of U.S. dollars)</b> |                      |                      |                              |              |
| Long term debt obligations <sup>(1)</sup>             | \$                                   | \$                   | \$                   | \$ 524.6                     | \$ 524.6     |
| Interest on long term debt obligations <sup>(7)</sup> | 16.0                                 | 40.7                 | 46.2                 | 55.5                         | 158.4        |
| Ship management agreements <sup>(3)</sup>             | 1.5                                  | 3.5                  | 0.5                  |                              | 5.5          |
| Asset purchase agreement <sup>(4)</sup>               | 355.0                                | 82.0                 |                      |                              | 437.0        |
| Shareholder loan <sup>(8)</sup>                       |                                      |                      |                      |                              |              |
| Shareholder loan interest <sup>(6)</sup>              | 3.9                                  |                      |                      |                              | 3.9          |
|   | \$ 376.4                             | \$ 126.2             | \$ 46.7              | \$ 580.1                     | \$ 1,129.4   |

- (1) Global Ship Lease will not assume any of the Predecessor Group's debt relating to the vessels in Global Ship Lease's initial and contracted fleet. Amounts shown in the first table reflect debt and interest payable to Fortis Bank (Nederland) N.V., or Agent, Citibank Global Markets Limited, HSH Nordbank AG, Sumitomo Mitsui Banking Corporation, Brussels Branch, KfW and DnB Nor Bank ASA, under Global Ship Lease's \$800.0 million credit facility outstanding as of March 31, 2008. Interest on the outstanding portion of Global Ship Lease's credit facility will be charged at the rate of the margin over one, three, six, nine or 12 month LIBOR as determined by the Agent. During the continuance of any principal or interest default, the margin will increase by 2%. Global Ship Lease expects that interest on the balance outstanding will be payable at least quarterly. In the first table, Global Ship Lease has reflected the amount due under the credit facility as due in less than one year consistent with the presentation in the combined financial statements. In the second table, the calculation of the level of debt assumes that there is no conversions of common stock and includes the effect of the financing of the contracted fleet.
- (2) The estimated contractual interest obligation has been calculated using an assumed interest rate of 4.20% up to September 30, 2008, the date by which the credit facility is required to be renegotiated should the Merger not have occurred. The commitment fee payable on the undrawn amount of the credit facility is also included up to September 30, 2008.



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- (3) Obligations under Global Ship Lease's ship management agreements are based on the assumptions that (a) Global Ship Lease pays the Ship Manager only the annual management fee of \$114,000 per vessel and does not include the reimbursement of costs incurred on Global Ship Lease's behalf and (b) Global Ship Lease's first contracted fleet will be delivered in December 2008, and Global Ship Lease's second contracted fleet will be delivered in July 2009.
- (4) Global Ship Lease expects to acquire (a) the three secondhand vessels and one newbuilding of Global Ship Lease's first contracted fleet in December 2008 and (b) the one secondhand vessel of Global Ship Lease's second contracted fleet in July 2009. In the event that Global Ship Lease does not purchase any vessel from CMA CGM or certain of its subsidiaries, Global Ship Lease's contractual obligations payable under this item will be correspondingly reduced. The purchase prices of the individual vessels of Global Ship Lease's contracted fleet are as follows (in millions): *Hull 4.126* (\$154.0), *CMA CGM Jamaica* (\$67.0), *CMA CGM Sambhar* (\$67.0), *CMA CGM America* (\$67.0) and *CMA CGM Berlioz* (\$82.0). See Related Party Transactions Asset Purchase Agreement. \$99.0 million of the purchase price of the four vessels anticipated to be delivered in December 2008 is to be prepaid by the issuance at the closing of the Merger of 12,375,000 Class C common shares of GSL Holdings.
- (5) The shareholder loan from CMA CGM is repayable on 30 days notice or upon the completion of the Merger.
- (6) The shareholder loan bears interest at an all-in rate of 5.25%.
- (7) The estimated contractual interest obligation has been calculated using an assumed interest rate of 4.20%. The commitment fee payable on the undrawn amount of the credit facility is also included.
- (8) Pursuant to the merger agreement, Global Ship Lease will cease to have any obligation under the shareholder loan from CMA CGM upon completion of the Merger, although interest will be paid at 5.25% until the completion of the Merger.

**Ability to Pay Dividends**

The Merger will create three classes of common shares. For the third quarter of 2008, GSL Holdings intends to pay a quarterly dividend of \$0.18 per share to only Class A shareholders.

The dividend policy of the company is to make distributions to its stockholders out of available cash flow, rather than net income, after all relevant cash expenditures, including cash interest expense on borrowings that finance operating assets, cash income taxes and after an allowance for the cash cost of future drydockings but not including deductions for non-cash items including depreciation and amortization and changes in the fair values of financial instruments, if any. Based on the first quarter of 2008 pro forma earnings before depreciation and amortization, GSL Holdings is expected to have the ability to pay the proposed amounts.

GSL Holdings' preliminary calculations indicate that approximately (i) 35 to 40% of the dividends anticipated to be paid in 2008 will represent a return of capital and (ii) 60 to 70% of the dividends anticipated to be paid in 2009 and 2010 will represent a return of capital.

The table below analyzes GSL Holdings' ability to pay the proposed dividend amounts on its Class A common stock based on the pro forma financial information for the quarter ended March 31, 2008. Under three of the four scenarios (maximum conversions/fully diluted, maximum conversions/basic and no conversions/basic), GSL Holdings has sufficient cash from operations. Under the no conversions/fully diluted scenario, there is a shortfall. GSL Holdings believes that the likelihood of such shortfall occurring during this period is low because warrants and other convertible securities are typically not exercised significantly in advance of their expiration date (August 2010).

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|   | <b>Three months ended<br/>March 31, 2008</b> |                                |
|---|--|--------------------------------|
|   | <b>No<br/>conversions</b>                    | <b>Maximum<br/>conversions</b> |
|   | (\$ thousands)                               |                                |
| Pro forma net income  | 6,758  | 6,057                          |
| Adjustment for non cash items                                       |  |                                |
| Depreciation and amortization                                       | 5,743  | 5,743                          |
| Reverse accretion of earnings for intangible liabilities (1)        | (1,302)                                      | (1,302)                        |
| Reverse charge for equity incentive awards (2)                      | 488  | 488                            |
|   | 11,687                                       | 10,986                         |
| Allowance for future dry dock (3)                                   | (700)  | (700)                          |
| Cash from operations available for dividends                        | 10,987                                       | 10,286                         |
| <b>Weighted average number of Class A common shares outstanding</b> |  |                                |
| No conversions (4)  |  |                                |
| Basic   | 52,255,450                                   |                                |
| Fully diluted   | 62,701,774                                   |                                |
| Maximum conversions (4)   |  |                                |
| Basic   | 44,252,284                                   |                                |
| Fully diluted   | 54,698,608                                   |                                |
| <b>Dividend per common share per quarter (\$)</b>                   | <b>0.18</b>                                  |                                |
| <b>Total dividend</b>   |  |                                |
| Basic   | 9,406  | 7,965                          |
| Fully diluted   | 11,286                                       | 9,846                          |
| <b>Surplus/(shortfall)</b>  |  |                                |
| Basic   | 1,581  | 2,321                          |
| Fully diluted   | (299)  | 440                            |

- (1) Reversal of accretion to earnings for the amortization of the intangible liability established as a result of the Merger to record the effect of below market leases. See note O.
- (2) Reversal of the pro forma charge for equity incentive awards which are not expected to give rise to a cash expense in the quarter. See note T.
- (3) In determining cash available from operations for the payment of dividends, it is the intention of the board of directors to set aside an amount estimated to cover anticipated cash costs of future drydockings to manage what would be otherwise potentially substantial and volatile effects on quarterly cashflow as the costs of drydocking are significant (an average of \$940 per ship) and at five yearly intervals with timing largely determined by the relevant regulatory rules.
- (4) The pro forma financial information is presented with no conversion of common stock into cash and also on the basis of maximum conversion of 19.99% (or 8,003,166 shares) of common stock into cash.

There can be no assurance that GSL Holdings will pay regular quarterly dividends in the future. For additional information on the dividend policy of GSL Holdings after the consummation of the Merger, see Dividend Policy.

In addition to its regular dividend payments, shortly after the consummation of the Merger, GSL Holdings intends to pay a starting dividend of \$0.18 per Class A common share. The declaration of the dividend is expected to occur shortly after the consummation of the Merger.

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

#### ***Interest Rate Risk***

Global Ship Lease is exposed to the impact of interest rate changes primarily through its floating-rate borrowings under Global Ship Lease's credit facility. Significant increases in interest rates could adversely affect Global Ship Lease's results of operations and its ability to service its own debt. The Predecessor Group did not enter into interest rate swap agreements to reduce its exposure to cash flow risks from changing interest rates.

In connection with Global Ship Lease's credit facility, it will enter into interest rate swap agreements to reduce its exposure to market risks of variable interest rates. The swaps will be accounted for as hedging instruments if for accounting purposes they are expected to be effective in mitigating the risks of changes in interest rates over the term of the debt and if they meet all U.S. GAAP requirements. As a result, changes in the fair value of the interest rates swap are excluded from earnings until settled.

Counterparties to these financial instruments expose Global Ship Lease to credit-related losses in the event of non-performance; however, counterparties to these agreements will be major financial institutions, and Global Ship Lease considers the risk of loss due to non-performance to be minimal. Global Ship Lease will not require collateral from these institutions. Global Ship Lease will not issue interest rate swaps for trading purposes.

#### ***Sensitivity Analysis***

Global Ship Lease's analysis of the potential effects of variations in market interest rates is based on a sensitivity analysis, which models the effects of potential market interest rate changes on Global Ship Lease's financial condition and results of operations. The following sensitivity analysis may have limited use as a benchmark and should not be viewed as a forecast as it does not include a variety of other potential factors that could affect Global Ship Lease's business as a result of changes in interest rates.

Without applying the effect of any interest rate swap arrangements that Global Ship Lease may enter into in connection with Global Ship Lease's credit facility, and based on borrowings under the credit facility and ignoring cash on deposit as of March 31, 2008 without giving effect to the Merger or taking into account the purchase of the contracted fleet, a hypothetical 1% increase in LIBOR would have the impact of reducing Global Ship Lease's net income, before income taxes, by approximately \$4.0 million.

The interest rate swaps agreements that Global Ship Lease may enter into in connection with the credit facility minimize the risks associated with Global Ship Lease's variable rate debt under its credit facility. Global Ship Lease expects that these interest rate swaps will significantly reduce the additional interest expense that could be caused by upward changes in variable market interest rates.

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

The shipping industry's functional currency is the United States dollar. All of Global Ship Lease's revenues and the majority of Global Ship Lease's operating costs are in United States dollars. In the future, Global Ship Lease does not expect to be exposed to any significant extent to the impact of changes in foreign currency exchange rates. Consequently, Global Ship Lease does not presently intend to enter into derivative instruments to hedge the foreign currency translation of assets or liabilities or foreign currency transactions nor to use financial instruments for trading or other speculative purposes.

#### ***Inflation***

With the exception of rising costs associated with the employment of international crews for Global Ship Lease's vessels and the impact of the price of lube oil costs, Global Ship Lease does not believe that inflation has had or is likely, in the foreseeable future, to have a significant impact on vessel operating expenses, drydocking expenses and general and administrative expenses.

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

Other than the commitments described above, debt instruments and interest rate swaps, Global Ship Lease does not have any other transactions, obligations or relationships that could be considered material off-balance sheet arrangements.



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### **Recent Developments**

On March 21, 2008, Global Ship Lease entered into the merger agreement with Marathon, GSL Holdings and CMA CGM pursuant to which Marathon will merge with and into GSL Holdings, its newly-formed, wholly owned Marshall Islands subsidiary, and then Global Ship Lease will merge with and into GSL Holdings, with GSL Holdings continuing as the surviving company incorporated in the Republic of the Marshall Islands and to be renamed Global Ship Lease, Inc. As a result of the Merger, each holder of a share of Marathon common stock issued and outstanding immediately prior to the effective time of the Merger will receive Class A common shares of GSL Holdings, except that Marathon Founders, LLC and other initial stockholders will receive an aggregate of 5,000,000 Class B common shares of GSL Holdings in lieu of an equal number of Class A common shares; and CMA CGM will receive \$66,570,135 in cash, 7,844,600 Class A common shares of GSL Holdings, 5,000,000 Class B common shares of GSL Holdings, and 12,375,000 Class C common shares of GSL Holdings. The Merger is expected to be completed during the third quarter of 2008, pending stockholder and warrant holder approval and there can be no assurance that the business combination will be consummated. Please see The Merger Agreement.

### **Subsequent Developments**

Immediately prior to the Merger, Global Ship Lease will enter into an amendment and restatement of the asset purchase agreement with CMA CGM and certain of its vessel-owning subsidiaries pursuant to which Global Ship Lease will purchase five additional vessels from CMA CGM with expected deliveries in December 2008 and July 2009 for an aggregate purchase price of \$437 million, of which \$99 million will be deemed to be prepaid by the consideration paid to CMA CGM in the Merger. Please see Other Transaction Agreements Asset Purchase Agreement and Acquisition of Initial and Contracted Fleet of Global Ship Lease Asset Purchase Agreement.

Immediately prior to the Merger, the applicable subsidiaries of Global Ship Lease will enter into amended and restated charter agreements with CMA CGM pursuant to which CMA CGM will charter the Global Ship Lease vessels. The terms of the amended and restated agreements are substantially the same as the current agreements and will reflect an increase in the charter rates for eight vessels of the initial fleet as of April 1, 2008. The charter agreements to be entered into at the time of delivery of the vessels in the contracted fleet will also reflect an increase in the charter rates as initially contemplated by CMA CGM and Global Ship Lease. The aggregate amount of the increased charter rates will be \$3.6 million per year. Please see Other Transaction Agreements Amended and Restated Charter Agreements and Global Ship Lease Business Time Charters.

Immediately prior to the Merger, the applicable subsidiaries of Global Ship Lease will enter into amended and restated ship management agreements with CMA Ships, a wholly owned subsidiary of CMA CGM, pursuant to which CMA Ships will provide a variety of ship management services, including purchasing, crewing, vessel maintenance including arranging drydocking inspections and ensuring compliance with flag, class and other statutory requirements necessary to support Global Ship Lease's business. The terms of the amended and restated agreements are substantially the same as those in the current agreements. Please see Other Transaction Agreements Amended and Restated Ship Management Agreements and Global Ship Lease Business Time Charters.

Immediately prior to the Merger, Global Ship Lease and CMA CGM will enter into amended and restated guarantees under which each will guarantee the obligations of each of its subsidiaries, as applicable, under the charter agreements and ship management agreements. Please see Other Transaction Agreements Amended and Restated Ship Guarantees, Global Ship Lease Business Time Charters and Ship Manager and Management Related Agreements of Global Ship Lease Ship Management Agreements.

Immediately prior to the Merger, Global Ship Lease will enter into an amended and restated global expense agreement with CMA CGM pursuant to which Global Ship Lease will reimburse the ship managers for operating

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expenses incurred under the ship management agreements. The terms of the amended and restated agreement are substantially the same as those in the current agreement. Please see [Other Transaction Agreements](#), [Amended and Restated Ship Guarantees](#) and [Ship Manager and Management Related Agreements of Global Ship Lease](#), [Ship Global Expense Agreement](#).

Immediately prior to the Merger, Global Ship Lease will enter into a transitional services agreement with CMA CGM pursuant to which CMA CGM will provide general administrative and support services to Global Ship Lease upon its request. Please see [Other Transaction Agreements](#), [Transitional Services Agreement](#) and [Global Ship Lease Business](#), [Transitional Services Agreement](#).

**Table of Contents****THE INTERNATIONAL CONTAINERSHIP INDUSTRY**

The information and data in this section relating to the international containership industry has been provided by Drewry Shipping Consultants (Drewry), and is taken from Drewry databases and other sources available in the public domain. Drewry has advised us that it accurately describes the international containership industry, subject to the availability and reliability of the data supporting the statistical and graphical information presented. Drewry's methodologies for collecting information and data, and therefore the information discussed in this section, may differ from those of other sources, and does not reflect all or even necessarily a comprehensive set of the actual transactions occurring in the containership industry.

**Overview**

The maritime transportation industry is a vital link in international trade, with oceangoing vessels representing the most efficient, and often the only, means of transporting large volumes of commodities, semi-manufactured goods and finished products. Seaborne cargo is categorized as either dry or liquid. Dry cargo includes container cargo, dry bulk cargo and other dry non-container cargo, while liquid cargo includes oil, refined oil products, liquefied gases and chemicals. Container cargo is shipped primarily in 20-foot or 40-foot containers and includes a wide variety of raw materials, commodities, semi manufactured goods and finished products. In 2007, approximately 1,272 million tons of container cargo was moved by sea, representing 389 million TEU of loaded container port movements. Dry bulk cargo includes, among other things, iron ore, coal and grain, other agricultural products, minerals, cement and forest and metal products. Other non-container cargo includes dry cargo that cannot be shipped in a container due to size, weight or handling requirements, such as large manufacturing equipment or large industrial vehicles.

The following table illustrates the breakdown of the global trade by type of cargo in 2007:

**World Seaborne Trade (2007)**

|                             | Tons (Millions) | % Total      |
|-----------------------------|-----------------|--------------|
| Dry Bulk                    | 2,975           | 33.2         |
| Liquid                      | 3,881           | 43.4         |
| Container Cargo             | 1,272           | 14.2         |
| Non-Container/General Cargo | 820             | 9.2          |
| <b>Total</b>                | <b>8,948</b>    | <b>100.0</b> |

Source: Drewry

**Container Shipping**

Container shipping was first introduced in the 1950s and since the late 1960s has become the most common method for transporting many industrial and consumer products by sea. Container shipping is performed by container shipping companies who operate frequent scheduled or liner services, similar to a passenger airline, with pre-determined port calls, using a number of owned or chartered vessels of a particular size in each service to achieve an appropriate frequency and utilization level.

Container shipping occupies an increasingly important position in world trade and it is the fastest growing sector of international shipping, benefiting from a shift in cargo transport towards unitization as well as from changes in world trade. The 2007 container shipping volume increased by nearly 11.5% from 2006. This growth has been sustained by general increases in world trade, increased global sourcing and manufacturing and continuing penetration of the general cargo market. Container shipping companies have also shown a trend to

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charter an increased percentage of their fleets from third party owners on competitive long-term charters as opposed to purchasing vessels outright. This is primarily due to the continued strong growth in capacity demand, container shipping companies' capital constraints and increased requirements for flexibility in fleet deployments to optimize changing service demands.

In 2007, approximately 1.27 billion tons of containerized cargo was transported by sea, comprising 14% of all seaborne trade (in tonnage), representing an increase of 161.7% compared to 1997, when 486 million tons of cargo was carried in containers. In the period from 1997 to 2007, the average annual increase in trade based in terms of tons of containerized cargo carried has been approximately 10.1%, compared with 4.6% for all types of cargo transported by sea.

**World Container Cargo ( 000 Tons)**

*Source:* Drewry

Container shipping has a number of advantages compared with other shipping methods, including:

*Less Cargo Handling.* Containers provide a secure environment for cargo. The contents of a container, once loaded into the container, are not directly handled until they reach their final destination. Using other shipping methods, cargo may be loaded and discharged several times, resulting in a greater risk of breakage and loss.

*Efficient Port Turnaround.* With specialized cranes and other terminal equipment, containerships can be loaded and unloaded in significantly less time and at lower cost than other cargo vessels.

*Highly Developed Intermodal Network.* Onshore movement of containerized cargo, from points of origin, around container ports, staging or storage areas and to final destinations, benefits from the physical integration of the container with other transportation equipment such as road chassis, railcars and other means of hauling the standard-sized containers. A sophisticated port and intermodal industry has developed to support container transportation.

*Reduced Shipping Time.* Containerships can travel at speeds of up to 25 knots per hour, even in rough seas, thereby transporting cargo over long distances in relatively short periods of time. This speed reduces transit time and facilitates the timeliness of regular scheduled port calls, compared to general cargo shipping.

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The containers used in maritime transportation are steel boxes of standard dimensions. The standard unit of measure of volume or capacity in container shipping is the 20-foot equivalent unit or TEU, representing a container which is 20-foot long, and typically 8.5 feet high and 8 feet wide. A 40-foot long container is equivalent to two TEU. There are specialized containers of both sizes to carry refrigerated perishables or frozen products as well as tank containers that carry liquids such as liquefied gases, spirits or chemicals.

A container shipment begins at the shipper's premises with the delivery of an empty container. Once the container has been filled with cargo, it is transported by truck, rail or barge to a container port, where it is loaded onto a containership. The container is shipped either directly to the destination port or through an intermediate port where it is transferred to another vessel, an activity referred to as trans-shipment. When the container arrives at its destination port, it is off-loaded and delivered to the receiver's premises by truck, rail or barge.

### **Containership Demand**

Global container trade has increased every year since the introduction of long haul containerized shipping routes in the late 1960s. Its growth is primarily driven by the growth of economic output and consumption, increases in global sourcing and changes in patterns of world trade. Therefore, container trade growth is in part dependent on levels of economic growth and regional/national GDP. GDP serves as the best indicator of prospective container volumes.

Inexpensive and reliable containerized transport has facilitated manufacturing and distribution processes that have accompanied globalization allowing manufacturing to move away from traditionally high cost production areas, such as Japan, West Europe and North America, to lower cost production areas, such as China. There has been little or no impact on the quality of the distribution process to the primary consumer markets. As an illustration of the relative low cost of containerized transportation, many technologically advanced countries are exporting component parts for assembly in other countries and re-importing the finished products. Manufacturers have also focused more on just-in-time delivery methods, which is facilitated by the fast transit times and frequent, reliable services offered by container line operators and the intermodal industry.

The container shipping industry has exhibited high demand growth with a compound annual growth rate in volume terms (as measured in TEU capacity) of approximately 10% over the period from 1997 through 2007. This growth represents a multiple of approximately three times the growth in world GDP over the same period. The high growth rate was mainly due to the following factors:

increases in world trade;

increases in global sourcing and manufacturing; and

continuing penetration by containerization of traditional shipping sectors, such as bulk and refrigerated cargo markets.

Operators have shifted away from traditional methods of transporting general cargo and refrigerated perishables towards containerization, as more ports around the world introduce container handling technology and as container shipping productivity becomes more widely recognized.

In addition to the effect of general economic conditions, there are several structural factors that also impact global container trade, and may cause the demand for containerships to continue to rise even in periods of economic stagnation. Investment in port and canal infrastructure has often not been sufficient to keep up with global container demand growth with a consequence that there is congestion in some parts of the transportation chain. Congestion increases ships' time in transit and reduces overall efficiency. Also, as the largest containerships are deployed in the major trade routes, incremental tonnage is required to feed cargo to these mother ships from ports that either do not have the volume or the infrastructure to be able to serve very large vessels directly. Congestion and increasing trans-shipment absorbs additional ship capacity for no overall growth in the container market.

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World container port throughput, a measure of the level of activity of the container shipping industry, is made up of three different traffic streams: loaded containers, empty containers and trans-shipment containers (full and empty). The following chart shows world container trade in terms of both loaded and empty container movements through ports globally. In the period from 1997 to 2007, port movements of loaded containers rose from 142 million to 389 million TEU, an increase of 174%.

**World Containership Port Throughput including Empty Containers  
and Trans-shipments (Million TEU)**

*Source:* Drewry

Regional trends in container port throughput in the period from 2001 to 2007 are shown in the table below. In total, world throughput of loaded, empty and trans-shipment containers increased from 248 million TEU in 2001 to 493 million TEU in 2007, equivalent to an increase of 99%, or a compound annual growth rate of 12%.

Regionally, the Far East and South East Asia accounted for 49% of global port throughput in 2007, compared with the other major markets of West Europe and North America. Collectively, these four regions accounted for 78% of all container port throughput in 2007.

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**Global Port Throughput including Empty Containers  
and Trans-shipments (Million TEU)**

|                           | 2001         | 2002         | 2003         | 2004         | 2005         | 2006         | 2007*        |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| North America             | 31.2         | 34.2         | 37.5         | 40.8         | 44.2         | 46.9         | 48.8         |
| West Europe               | 52.8         | 57.7         | 63.4         | 70.7         | 76.9         | 82.8         | 92.1         |
| North Europe              | 32.0         | 34.5         | 37.5         | 41.9         | 46.1         | 51.0         | 57.1         |
| South Europe              | 20.8         | 23.3         | 25.9         | 28.8         | 30.8         | 31.8         | 35.0         |
| Asia                      | 75.2         | 87.6         | 105.4        | 124.7        | 140.1        | 154.2        | 177.0        |
| South East Asia           | 36.9         | 41.1         | 45.7         | 51.6         | 54.6         | 59.7         | 66.9         |
| Mid-East                  | 12.3         | 13.7         | 16.0         | 19.8         | 22.6         | 24.3         | 26.9         |
| Latin America             | 18.8         | 19.2         | 21.4         | 24.7         | 27.2         | 31.8         | 35.2         |
| Caribbean/Central America | 10.4         | 10.4         | 11.5         | 12.9         | 13.9         | 16.6         | 18.4         |
| South America             | 8.4          | 8.8          | 9.9          | 11.8         | 13.3         | 15.2         | 16.8         |
| Oceania                   | 5.3          | 6.0          | 6.5          | 7.3          | 7.52         | 7.9          | 8.6          |
| South Asia                | 5.9          | 6.6          | 7.3          | 8.5          | 9.4          | 11.5         | 13.7         |
| Africa                    | 7.6          | 8.5          | 10.3         | 11.4         | 12.4         | 15.5         | 17.0         |
| Eastern Europe            | 1.5          | 1.9          | 2.4          | 3.2          | 4.4          | 5.3          | 6.6          |
| <b>World</b>              | <b>247.5</b> | <b>276.6</b> | <b>316.0</b> | <b>363.0</b> | <b>339.4</b> | <b>440.0</b> | <b>492.8</b> |

\* Data will be subject to further change as reported figures are amended by original source providers.

Source: Drewry

There are three core, or arterial, trade routes in the container shipping industry: the Transpacific, Transatlantic and Asia-Europe. These routes are often referred to as the East/West trades. Trade along the East/West routes is primarily driven by United States and European consumer demand for products made in Asia. Supporting these core routes are the North/South routes and a network of regional routes that include the Intra-Asia market, which is the largest in the world. Drewry estimates the Intra-Asia market to be over 41.8 million TEU, or 8.5% of global port throughput in 2007. Other regional routes include Europe/Mediterranean, Caribbean/United States, Europe/South America, Asia/Australia and North America/South America routes. Different routes are usually served by vessels of different sizes as determined by the size of the trade, required service frequency and physical constraints of the ports visited.

The East/West routes are higher volume and longer and, as a result, are generally served by the larger containerships known as Intermediate, Panamax, Post-Panamax and Very Large. The Intra-Asia and North/South trade routes are generally served by smaller containerships, Feeder, Handysize, Intermediate and Panamax, and regional routes are generally served by Feeder, Handysize and Intermediate. The following table shows the trade routes on which different sizes of containerships are likely to be suitable to trade:

**Containerships (Typical Deployment by Size Category)**

| Trade Route           | Feeder | Handysize   | Intermediate | Panamax     | Post-Panamax | Large/Very Large |
|-----------------------|--------|-------------|--------------|-------------|--------------|------------------|
| TEU                   | <1,000 | 1,000-1,999 | 2,000-2,999  | 3,000-4,999 | 5,000-7,999  | 8,000+           |
| East/West Routes      |        |             | X            | X           | X            | X                |
| Intra-Asia            | X      | X           | X            | X           |              |                  |
| North/South Routes    | X      | X           | X            | X           |              |                  |
| Intra-Regional Routes | X      | X           | X            |             |              |                  |

Source: Drewry



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The chart below shows the growth, in volume, of the three East/West trades from 2000 to 2007. These trades constitute approximately 9.0% of global port throughput, with Intra-Asia, as noted above, at 41.8 million TEU in 2007 being another 8.5%.

**East/West Container Trade Routes**

(Thousand TEU)

*Source:* Drewry

The process of globalization, China's entry into the World Trade Organization in 2001 and the subsequent boom in cheap manufacturing has fueled global economic development and demand. As a result, almost all trade routes with the Far East have experienced significant annual growth in container traffic in the past five years.

For example, the Far East/Mediterranean trade volume grew to 5.4 million TEU in 2007 from 4.5 million TEU in 2006, which was an increase of 20.4%. Many liner services previously combined North Europe and Mediterranean calls on one service, but due to increased demand there is now a distinction in the market place. Similarly, trade from the Far East to the Mid-East, Africa (West and South) and the East Coast of South America has increased substantially in recent years as trade links with China have increased. Traditional buying patterns have also changed, and West African consumers, for example, now buy cheaper consumer goods from China rather than from Europe, which was the traditional trading partner.

Volumes on the North/South and regional trades are more difficult to chart, but the trend is one of continued growth in most sectors. With more free trade deals being signed within the Asian region, intra-Asian trade is also set to increase. Because there are so many individual trade routes and the level of trans-shipment is high, exact growth is difficult to track, but is generally estimated to be approximately 10% on an annualized basis for the trades within and from Asia.

The table above also highlights the difference in volumes between the headhaul and backhaul trades, meaning the volume moved eastbound and westbound, with the imbalance being as much as three-to-one in the dominant direction. Container traffic is unbalanced on many global trade routes and in some cases the gap is widening. While continued growth in the headhaul direction is encouraging, the imbalance impacts supply, the level and pace of newbuilding and ocean freight rates in the backhaul trades. The reason for the imbalance in backhaul trades is the divide between export-dominated and import-dominant countries for containerized goods, which is largely related to the shift of manufacturing to low cost countries. This trend is set to continue.

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### **Containership Supply**

Containerships are typically cellular, which means they are equipped with metal guide rails to allow for rapid loading and unloading, and provide for more secure carriage. Partly cellular containerships include roll-on/roll-off vessels or ro-ro ships and multipurpose ships which can carry a variety of cargo including containers. Containerships may be geared, which means they are equipped with cranes for loading and unloading containers, and thus do not need to rely on port cranes. Geared containerships are typically 2,500 TEU and smaller. All large containerships are fully cellular and call at ports with adequate shore-based loading and unloading equipment and facilities.

While new investment has tended to concentrate on building gearless vessels for the larger trade routes and as port infrastructure improves, geared vessels are still very important for regional trade lanes and areas such as West Africa, the eastern coast of South America and certain Asian regions, including Vietnam and Indonesia, where port infrastructure may be poor or, in some cases, non-existent.

Because many geared ships operating in the intra-Asia arena are now quite old, there may be a shortage of such vessels at some stage in the mid-term as many of these ships are likely to be scrapped in the next few years and will need to be replaced by newbuildings.

As of May 31, 2008, the world fleet of fully cellular containerships consisted of 4,477 vessels totaling 11.2 million TEU in nominal capacity. These figures exclude multipurpose and ro-ro vessels with container carrying capability.

The non-weighted average age of container ships currently in service, as of May 31, 2008, was 11.0 years. For ships below 500 TEU, the non-weighted average age figure was 21.3 years and for ships above 8,000 TEU the non-weighted average age was 1.2 years. The latter figure reflects the recent trend to build ever larger containerships. The average size of container vessels in service in 1997 was 1,590 TEU, but by May 2008 the average size had increased to 2,504 TEU. Average size will continue to rise due to the number of large container vessels on order. Indeed, the average size of container vessels on order as of May 2008 was 4,797 TEU. The total fleet has grown rapidly to meet the growth in demand and in capacity terms has increased by 200% between the end of 1997 and May 2008.

*Source: Drewry*

**Table of Contents****World Cellular Containership Fleet by Size (as of May 31<sup>st</sup>, 2008)**

|              | Size<br>(TEU) | No.          | TEU<br>(Thousand) |
|--------------|---------------|--------------|-------------------|
| Feeder       | <1,000        | 1,244        | 729               |
| Handy-size   | 1,000-1,999   | 1,196        | 1,690             |
| Intermediate | 2,000-2,999   | 688          | 1,736             |
| Panamax      | 3,000-4,999   | 735          | 2,900             |
| Post Panamax | 5,000-7,999   | 442          | 2,639             |
| Large        | 8,000-7,999   | 160          | 1,369             |
| Very Large   | 10,000+       | 12           | 148               |
|              | <b>Total</b>  | <b>4,477</b> | <b>11,212</b>     |

Source: Drewry

Although the container shipping industry has exhibited high demand growth, the financial performance of traditional charter owners and container shipping companies has been cyclical due to periodic imbalances in the supply of containerships and the demand for container shipping services. In May 2008, the containership newbuilding orderbook in terms of TEU size was equivalent to 57% of the existing cellular containership fleet. However, delivery of this orderbook will take almost four years which results in an annual growth rate of approximately 15%, which is close to recent growth rates in global containerized trade. If demand growth is not at a level sufficient to absorb this additional capacity (net of ship scrappings, congestion and changes in the pattern of world trade that absorb additional capacity), there may be oversupply which would typically cause freight rates to fall. In turn, this could reduce the financial performance of container shipping companies. Oversupply will also typically cause ship charter rates to fall, in particular in the short term charter market. This decline could then affect the results of charter owners. If demand growth catches up with, and then exceeds, supply growth (due either to higher demand growth from increased economic activity or a reduction in supply growth as the order book is delivered and new orders are placed at a lower rate), the cycle turns with a shortage of capacity driving up freight and charter rates.

Several factors affect the pace of new ordering, notably the relative strength of the market and forecasted growth mainly on headhaul legs, the price of newbuildings and the availability of building slots at suitable shipyards.

Many major containership operators are concentrating on investments in large and very large containerships (8,000 TEU+) and this sector alone currently accounts for a third by capacity of all current container ship orders. Since Maersk deployed the first 10,000 TEU+ vessels in the Far East/Europe trade in 2006, further orders for vessels of similar size and larger have followed from some of the largest container operators.

**Containership Orderbook by Size (as of May 31<sup>st</sup>, 2008)**

| Size Category | TEU         | Number<br>of<br>Vessels | Capacity<br>(Thousand<br>TEU) | Orderbook<br>Per cent.<br>Existing<br>Fleet | Per cent.<br>of Total<br>Orderbook |
|---------------|-------------|-------------------------|-------------------------------|---|------------------------------------|
| Very Large    | 10,000+     | 186                     | 2,234                         | 1507.7                                      | 34.3                               |
| Large         | 8,000-9,999 | 111                     | 952                           | 69.5  | 14.6                               |
| Post Panamax  | 5,000-7,999 | 169                     | 1,044                         | 39.5  | 16.0                               |
| Panamax       | 4,000-4,999 | 310                     | 1,274                         | 43.9  | 19.6                               |
| Intermediate  | 2,000-3,999 | 151                     | 388                           | 22.4  | 6.0                                |
| Handy-size    | 1,000-1,999 | 271                     | 391                           | 23.1  | 6.0                                |
| Feeder        | <1,000      | 135                     | 112                           | 15.3  | 1.7                                |
| Total         |             | 1,333                   | 6,513                         | 57.0  | 100.0                              |

Source: Drewry

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*Source:* Drewry

**Major Operators**

The following table shows the relative size of the fleets of the world's top 20 container ship operators by capacity. Maersk is by far the world's largest ocean operator in terms of vessel capacity. In recent years, Mediterranean Shipping (MSC) and CMA CGM have grown to become the second and third largest operators, respectively. In addition, the two Chinese operators, Cosco and China Shipping have also expanded capacity. While there are still in excess of 500 liner companies, many of which are small regional and niche players, the top 10 carriers account for 65% of all global capacity and the top 20 account for 88%, up from approximately 66% in early 2005 due to consolidation and disproportionate organic growth largely related to the dramatic increase in exports from China.

**Table of Contents****Container Line Vessel Capacity (as of February 29, 2008)**

| <b>Company</b>                    | <b>Ranking</b> | <b>TEU</b>        | <b>Vessels</b> | <b>Capacity Share %</b> |
|-----------------------------------|----------------|-------------------|----------------|-------------------------|
| Maersk                            | 1              | 1,781,257         | 497            | 16.4%                   |
| Mediterranean Shipping            | 2              | 1,233,335         | 370            | 11.4%                   |
| CMA CGM                           | 3              | 855,054           | 343            | 7.9%                    |
| Evergreen                         | 4              | 628,898           | 180            | 5.8%                    |
| Hapag-Lloyd                       | 5              | 495,588           | 140            | 4.6%                    |
| Cosco Container Lines Ltd         | 6              | 441,237           | 147            | 4.1%                    |
| China Shipping                    | 7              | 418,751           | 120            | 3.9%                    |
| APL                               | 8              | 403,759           | 119            | 3.7%                    |
| NYK                               | 9              | 396,945           | 121            | 3.7%                    |
| Orient Overseas Container Line    | 10             | 360,179           | 88             | 3.3%                    |
| Hanjin Shipping                   | 11             | 332,180           | 76             | 3.1%                    |
| Mitsui OSK Lines                  | 12             | 323,729           | 103            | 3.0%                    |
| K Line                            | 13             | 298,122           | 93             | 2.7%                    |
| Zim                               | 14             | 288,713           | 115            | 2.7%                    |
| Yang Ming                         | 15             | 273,356           | 83             | 2.5%                    |
| Compania Sud Americana de Vapores | 16             | 260,722           | 87             | 2.4%                    |
| Hamburg Sud                       | 17             | 207,359           | 79             | 1.9%                    |
| Hyundai Merchant Marine           | 18             | 206,899           | 46             | 1.9%                    |
| Pacific International Lines       | 19             | 168,598           | 104            | 1.6%                    |
| Wan Hai Lines                     | 20             | 133,105           | 76             | 1.2%                    |
| Others                            |                | 1,344,214         | 1,394          | 12.4%                   |
| <b>Total Fleet</b>                |                | <b>10,852,000</b> | <b>4,381</b>   | <b>100.0%</b>           |

In the container shipping sector, consolidation has occurred for several reasons, including the achievement of economies of scale, gaining or strengthening a market position in a particular region and acquiring a fleet of appropriately sized vessels. Major acquisitions in the last few years include AP Moller-Maersk's purchase of P&O Nedlloyd and Safmarine, and Hapag-Lloyd's acquisition of CP Ships. CMA CGM has acquired several operators including Delmas and OTAL and most recently a Taiwanese operator, Cheng Lie Navigation.

Evergreen has bought Lloyd Triestino. MSC's growth however, has largely been organic, as has that of both Cosco and China Shipping. Another trend of recent years has been the emergence of regional Asian players into the big league, which include PIL and Wan Hai. Both have traditionally been intra-Asian specialists, but each has invested in Panamax and Post-Panamax tonnage to enter the Far East/Europe, Transpacific and Far East/East Coast South America and African trades.

Although over the years the major containership operators have been instrumental in ordering new ships leading to growth in the world fleet, non-operator owners have also played a major part in fleet growth. Non-operators charter out their vessels to operators rather than operating them directly, and in turn this satisfies a growing trend among major operators to charter-in vessels. Non-operators are often referred to as owners or charter owners and include companies such as Seaspan and Danaos and those established under the mainly tax driven German KG scheme.

Outright vessel ownership carries certain benefits in terms of providing base capacity at stable, and perhaps lower, cost over the life of a vessel and long-term assets to support their balance sheets, but chartering-in provides an operator with greater flexibility, effective outsourcing of ship management and, depending on market conditions, short term cost savings along with reduced capital requirements. Container shipping companies continue to increase their use of chartered-in vessels to add capacity in their existing trade routes or establish new trade routes.

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Charter owners have also played a part in the recent investment in new container ships, especially ships smaller than 4,500 TEU, where there is an active market for charter periods ranging up to three years or more. An active charter market for larger vessels of Panamax and Post-Panamax size is also developing however, where charter periods are often for longer durations.

The trend among the major container operators to charter-in tonnage has grown in recent years. In February 2008, chartered-in ships accounted for approximately 50% of the capacity of the top 10 container shipping companies. Just over a decade ago in 1997 it was estimated to be below 30%.

### **Container Freight Rates**

The following table shows the average container freight rate per TEU on the core East/West trade lanes: Transpacific, Far East/Europe and Transatlantic. Terminal handling charges and intermodal rates, where applicable, are included. In general, container freight rates are impacted mainly by the balance between supply of and demand for container shipping services and rates move with changes in this balance. Annual changes can be quite volatile and the decline in freight rates in 2001-2002 leading to a downturn in the global liner shipping industry was caused by a slow down in demand growth which was only 4% measured in tons. This slow growth in 2001 to 2002, combined with a larger increase in capacity at the time, resulted in over-capacity. When trade volumes picked up, freight rates increased accordingly during the period from 2003 to 2005, before declining again in 2006. In 2007 however, rates staged a small recovery on the back of stronger growth in trade volumes.

#### **Container Rates for East/West Routes (\$/TEU)**

[CHART]

*Source:* Drewry

Although the relationship between supply and demand sets the tone for the freight rate environment, other factors, including market sentiment also play a part. Indeed, in recent years the relationship between supply and demand and its impact on freight rates has become less clear. For example, in 2006 headhaul demand remained strong on the Far East/Europe and Transpacific trades, but freight rates still declined partly because the major acquisitions of P&O Nedlloyd and CP Ships by the AP Moller Group and Hapag-Lloyd respectively unsettled the market and created short-term decreases in charter rates due to increased competition for business.

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Predatory pricing can also be a factor in some trade routes and often, when ocean carriers start a new service in a small trade lane, the immediate reaction is for spot freight rates to fall as existing carriers protect their market share.

**Average Container Rates for East/West Routes 2000-2007**

|      | \$/TEU | Change yoy |
|------|--------|------------|
| 2000 | 1,421  | 2.6%       |
| 2001 | 1,269  | -10.7%     |
| 2002 | 1,155  | -9%        |
| 2003 | 1,352  | 17.1%      |
| 2004 | 1,455  | 7.6%       |
| 2005 | 1,492  | 2.6%       |
| 2006 | 1,402  | -6.1%      |
| 2007 | 1,437  | 2.5%       |

Source: Drewry

Freight rates for specialized cargo including refrigerated products normally carry a premium due to increased costs of transportation and more expensive equipment such as temperature controlled containers. Many surcharges, including bunker fuel, congestion, currency adjustment, peak season and heavyweight are standard practice in the industry and these are normally paid in addition to the basic port to port ocean freight.

**Ship Charter Rates**

The same factors that drive freight rates also affect charter rates. The growth in demand for container shipping and the increasing trend among major container operators to charter-in tonnage have generally increased demand pressure and over time have caused an increase in time charter rates.

**Period Averages of One Year Containership Time Charter Rates (\$ per Day)**

| TEU      | 1,500 Geared | 2,500 Geared | 3,500 Gearless |
|----------|--------------|--------------|----------------|
| 2000     | 11,625       | 17,869       | 24,025         |
| 2001     | 9,475        | 13,938       | 19,325         |
| 2002     | 7,188        | 10,326       | 14,431         |
| 2003     | 11,741       | 17,833       | 23,666         |
| 2004     | 20,200       | 26,500       | 31,575         |
| 2005     | 25,275       | 29,825       | 30,350         |
| 2006     | 16,492       | 20,496       | 25,075         |
| 2007     | 15,775       | 21,336       | 27,479         |
| May 2008 | 17,500       | 29,125       | 30,600         |

Source: Drewry

With some exceptions, time charter rates for all vessel sizes increased steadily from 2002 into 2005, in some cases rising by as much as 50%, as charter markets experienced significant growth; demand for vessels was largely instigated by the growth in the volume of exports from China. In 2006, time charter rates weakened due to supply rising faster than demand and also market perception. This trend continued in 2007 for certain vessel sizes, although in certain instances, time charter rates increased in 2007, as the supply in the container shipping market tightened once more. Further increases have also been seen in the first two months of 2008.

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The following chart indicates quarterly average rates for smaller vessels from 2000 to May 2008.

*Source:* Drewry

**Containership Newbuilding Prices**

Newbuilding prices have risen steadily since 2002, owing to a shortage in newbuilding capacity during a period of high ordering and increased shipbuilders' costs as a result of rising raw material prices, mainly steel. Shipyards in South Korea, Japan and China appear to be at capacity through to 2010, and in certain shipyards beyond that date. Since early 2006, longer delivery dates have contributed to a slowdown in new ordering across all sectors, which has led to some moderation in newbuilding prices. The following chart indicates average newbuilding prices from 2000 to May 2008.

*Source:* Drewry

**Table of Contents****Containership Secondhand Prices**

Values are primarily driven by supply and demand for vessels. During extended periods of high demand, as evidenced by high charter rates, vessel values tend to appreciate and vice versa. However, vessel values are also influenced by age and specification and by the replacement cost (newbuilding price) in the case of vessels up to five years old.

**Containership Secondhand Prices (\$ Millions)**

Source: Drewry

Values for younger vessels tend to fluctuate less on a percentage not a nominal basis than values for older vessels. This is attributed to the finite life of vessels which makes the price of younger vessels with a commensurably longer remaining economic life less susceptible to the level of prevailing and expected charter rates, while prices of older vessels are influenced more since their remaining economic life is limited.

Vessels are usually sold through specialized brokers who report transactions to the maritime transportation industry on a regular basis. The sale and purchase market for vessels is therefore transparent and liquid, with a large number of vessels changing hands on an annual basis.

**Containership Secondhand Prices for Five-Year-Old Vessels (\$ Millions)**

| TEU      | Geared 1,500 | Geared 2,500 | Gearless 3,500 | Gearless 4,000 |
|----------|--------------|--------------|----------------|----------------|
| 2000     | 19.3         | 27.3         | 33.4           | 35.9           |
| 2001     | 18.9         | 27.4         | 32.5           | 37.0           |
| 2002     | 15.1         | 24.0         | 28.1           | 36.3           |
| 2003     | 17.2         | 26.3         | 31.8           | 31.8           |
| 2004     | 26.5         | 38.5         | 43.3           | 54.3           |
| 2005     | 30.0         | 49.6         | 55.0           | 59.5           |
| 2006     | 29.8         | 40.2         | 44.5           | 48.4           |
| 2007     | 35.9         | 46.5         | 57.0           | 63.0           |
| May 2008 | 42.0         | 46.9         | 57.0           | 63.0           |

Source: Drewry

Along with rising newbuilding prices and a strong charter market in 2003, 2004 and in the first half of 2005, prices for secondhand vessels increased. In 2005, secondhand prices for some five-year-old ships were close to newbuilding prices because shipowners were paying premiums for modern and immediately available vessels. However, in 2006 values decreased as a result of the downturn in the freight market, only to rebound again in 2007, with further increases taking place in the first few months of 2008.

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**GLOBAL SHIP LEASE BUSINESS**

**General**

Global Ship Lease is a Republic of the Marshall Islands corporation formed on May 3, 2007 to establish a business of owning a fleet of modern containerships of diverse sizes and chartering them out under long-term, fixed-rate charters to reputable container shipping companies to generate stable cash flow. All of the vessels in its initial and contracted fleet will be time chartered to CMA CGM for terms between five and 17 years equal to a non-weighted average term of 11 years. Global Ship Lease intends to grow its fleet through vessel acquisitions, charter these vessels out, further increase its distributable cash flow per share and pay regular quarterly dividends to its shareholders.

Global Ship Lease entered into an asset purchase agreement with CMA CGM and certain of its vessel-owning subsidiaries in October 2007 to acquire, inter alia, 10 secondhand vessels and two newly built vessels. Global Ship Lease refers to these 12 containerships collectively as its initial fleet. Its initial fleet has an aggregate capacity of 36,322 TEU, had a weighted average age of 5.3 years and a non-weighted average age of 5.8 years at delivery. The asset purchase agreement was subsequently amended in December 2007 to adjust the payment method of the purchase price.

At the closing of the Merger, the asset purchase agreement will be further amended and enables Global Ship Lease to acquire four secondhand vessels and one newbuilding with an aggregate capacity of 29,975 TEU, a weighted average age of 3.5 years and a non-weighted average age of 3.5 years upon delivery. Global Ship Lease refers to these five vessels collectively as its contracted fleet. Three of the secondhand vessels and the newbuilding are expected to be delivered in December 2008 and the other secondhand vessel is expected to be delivered in July 2009. In this joint proxy statement/prospectus, we refer to the asset purchase agreement, as amended in December 2007 and as anticipated to be amended at the closing of the Merger, as the asset purchase agreement.

Upon completion of the acquisition of its initial and contracted fleet, Global Ship Lease will own a modern fleet of containerships ranging in sizes from 2,207 TEU to 10,960 TEU, with an average TEU capacity of approximately 3,900. Its initial and contracted fleet will have an aggregate capacity of 66,297 TEU, a weighted average age of 5.3 years and a non-weighted average age of 5.8 years upon delivery of all of its vessels, which Global Ship Lease expects to occur in July 2009.

CMA CGM, a French corporation, is the third largest container shipping company in the world, operating a fleet of 393 ships with a total capacity of 935,975 TEU as of March 31, 2008.

In February 2008, Drewry estimated that world container traffic (measured in TEU capacity) may grow by 10.1% in 2008, and may continue to grow at a similar high rate thereafter. According to Drewry, container shipping companies have been chartering-in increased portions of their fleets from third party owners on long-term charters as opposed to purchasing vessels outright; this trend is primarily due to the continued strong growth in capacity demand, combined with container shipping companies' capital constraints and increased requirements for flexibility in fleet deployments to optimize changing service demands. Chartered-in vessels accounted for approximately 50% of the top 10 container shipping companies' capacity in February 2008, compared to less than 30% in 1997. Global Ship Lease believes that it is well-positioned to capitalize on this trend by offering container shipping companies competitive charters of newbuildings and secondhand vessels to either grow their fleet or to replace owned or other vessels with long-term chartered vessels. Recent high oil prices have forced container operators to decrease vessel operating speeds in order to conserve fuel and make vessels more fuel efficient. This trend has had the impact of increasing the number of ships required to provide the same level of service. In addition, growth in emerging markets and the development of new trade routes such as Asia-Eastern Europe, Asia-Middle East and Intra-Asia have also been positive drivers of increased demand for vessel capacity.

Each of the members of Global Ship Lease's senior management team has a professional background in the shipping industry. Ian J. Webber, its Chief Executive Officer, has over 12 years of experience in the shipping

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industry, Susan J. Cook, its Chief Financial Officer, has 15 years of experience in the shipping industry and Thomas A. Lister, its Chief Commercial Officer, has 15 years of experience in liner shipping and ship finance.

Global Ship Lease's management team undertakes all management of, and strategy for, its initial and contracted fleet and supervises the day-to-day ship management of its vessels which is currently provided by, or under the responsibility of, CMA Ships, a wholly owned subsidiary of CMA CGM. Each ship management agreement has a term of three years, but may be terminated after the first year if an alternative manager meeting certain criteria is retained at lower cost. For its services, the Ship Manager receives an annual management fee of \$114,000 per vessel. Global Ship Lease will also reimburse the Ship Manager for operating expenses incurred by it on Global Ship Lease's behalf, up to a quarterly cap. The global expense agreement establishes the quarterly cap and the Ship Manager will bear the amount of operating expenses incurred on its behalf in excess of a quarterly cap. Drydocking expenses and insurance premiums are not subject to the quarterly cap.

**Global Ship Lease's Fleet**

Pursuant to the asset purchase agreement, Global Ship Lease has acquired an initial fleet of 10 secondhand vessels and two newly built vessels, and will acquire a first contracted fleet comprised of three secondhand vessels and one newbuilding expected to be delivered in December 2008 and a second contracted fleet comprised of one secondhand vessel, expected to be delivered in July 2009.

The aggregate purchase price for its initial fleet was \$573.0 million. Global Ship Lease financed its initial fleet with borrowings under its credit facility and a shareholder loan from CMA CGM (which will be cancelled upon the Merger). The aggregate purchase price for the vessels of its contracted fleet is \$437.0 million, of which \$99.0 million is deemed prepaid pursuant to the Merger. Global Ship Lease expects to finance the balance of the purchase price of the vessels in its contracted fleet with borrowings under its credit facility.

Global Ship Lease's initial fleet consists of 12 containerships, including two newly built vessels, with an aggregate capacity of 36,322 TEU and had a weighted average age of 5.3 years and a non-weighted average age of 5.8 years at delivery. Its contracted fleet has an aggregate capacity of 29,975 TEU, a weighted average age of 3.5 years and a non-weighted average age of 3.5 years upon delivery. Upon delivery of its contracted fleet, its initial and contracted fleet will have an aggregate capacity of 66,297 TEU and, as of that time, a weighted average age of approximately 5.3 years and a non-weighted average age of 5.8 years. All vessels in its initial and contracted fleet will be time chartered to CMA CGM for terms ranging from five to 17 years and a non-weighted average charter period of 11 years.

The following chart provides information about the initial and contracted fleet:

|                                 | As of<br>March 31,<br>2008 | In December<br>2008 | In July<br>2009 |
|---------------------------------|----------------------------|---------------------|-----------------|
| <b>Vessel Size</b>              |                            |                     |                 |
| 2,207 TEU                       | 4                          | 4                   | 4               |
| 2,262 and 2,272 TEU             | 4                          | 4                   | 4               |
| 4,113 TEU                       | 2                          | 2                   | 2               |
| 4,045 TEU                       | 0                          | 2                   | 2               |
| 4,298 TEU                       | 0                          | 1                   | 1               |
| 5,100 TEU                       | 2                          | 2                   | 2               |
| 6,627 TEU                       | 0                          | 0                   | 1               |
| 10,960 TEU                      | 0                          | 1                   | 1               |
| <b>Total Number of Vessels</b>  | <b>12</b>                  | <b>16</b>           | <b>17</b>       |
| <b>Aggregate Capacity (TEU)</b> | <b>36,322</b>              | <b>59,670</b>       | <b>66,297</b>   |

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The table below provides additional information about Global Ship Lease's initial and contracted fleet, including the current owners of the vessels:

| Vessel Name                                      | Size (TEU) | Year Built | Current Owner  | Classification Society |
|--|------------|------------|--|------------------------|
| <b>Initial Fleet:</b>                            |            |            |  |                        |
| <i>Ville d Orion</i>                             | 4,113      | 1997       | Global Ship Lease  | Bureau Veritas         |
| <i>Ville d Aquarius</i>                          | 4,113      | 1996       | Global Ship Lease  | Bureau Veritas         |
| <i>CMA CGM Matisse</i>                           | 2,262      | 1999       | Global Ship Lease  | Bureau Veritas         |
| <i>CMA CGM Utrillo</i>                           | 2,262      | 1999       | Global Ship Lease  | Bureau Veritas         |
| <i>MOL Rainbow</i>                               | 2,207      | 2003       | Global Ship Lease  | Bureau Veritas         |
| <i>Julie Delmas</i>                              | 2,207      | 2002       | Global Ship Lease  | Bureau Veritas         |
| <i>Kumasi</i>                                    | 2,207      | 2002       | Global Ship Lease  | Bureau Veritas         |
| <i>Marie Delmas</i>                              | 2,207      | 2002       | Global Ship Lease  | Bureau Veritas         |
| <i>CMA CGM La Tour</i>                           | 2,272      | 2001       | Global Ship Lease  | Bureau Veritas         |
| <i>CMA CGM Manet</i>                             | 2,272      | 2001       | Global Ship Lease  | Bureau Veritas         |
| <i>CMA CGM Alcazar</i>                           | 5,100      | 2007       | Global Ship Lease  | Bureau Veritas         |
| <i>CMA CGM Château d Iff</i>                     | 5,100      | 2007       | Global Ship Lease  | Bureau Veritas         |
| <b>First Contracted Fleet:</b>                   |            |            |  |                        |
| <i>Hull 4.126 (Newbuilding)</i>                  | 10,960     | 2008       | Not applicable   | Bureau Veritas         |
| <i>CMA CGM Jamaica</i>                           | 4,298      | 2006       | CONTI 39. Container<br>Schiffahrts-GmbH & Co. KG<br>MS CONTI MARSEILLE | Germanischer Lloyd     |
| <i>CMA CGM Sambhar</i>                           | 4,045      | 2006       | CONTI 41. Container<br>Schiffahrts-GmbH & Co. KG<br>MS CONTI NICE      | Lloyd's Register       |
| <i>CMA CGM America</i>                           | 4,045      | 2006       | CONTI 42. Container<br>Schiffahrts-GmbH & Co. KG<br>MS CONTI NANTES    | Lloyd's Register       |
| <b>Second Contracted Fleet:</b>                  |            |            |  |                        |
| <i>CMA CGM Berlioz</i>                           | 6,627      | 2001       | CMA CGM  | Bureau Veritas         |
| <b>Global Ship Lease's Competitive Strengths</b> |            |            |  |                        |

Global Ship Lease believes that it possesses a number of competitive strengths that will allow it to capitalize on the growth opportunities in the containership shipping industry, including the following:

*Stable cash flows based on long-term, fixed-rate charters with staggered expirations.* All of the vessels in its initial and contracted fleet are, or upon delivery to Global Ship Lease will be, subject to long-term, fixed-rate charters ranging from five to 17 years with a non-weighted average charter period of 11 years. As a result, its revenues have long-term stability and are protected from the volatility of the spot market and short-term charter rates. In addition, Global Ship Lease believes that the staggered expirations of its charters reduce its exposure to the risk of having to re-charter in what might be a volatile charter market. Global Ship Lease expects to have relatively stable operating costs and expenses until at least 2010 because of its fixed fee and capped operating cost arrangements under its ship management agreements and the global expense agreement.

*Modern and diverse fleet.* Upon expected delivery of all the vessels of its initial and contracted fleet in July 2009, Global Ship Lease's fleet will have a weighted average age of approximately 5.3 years and a non-weighted average age of 5.8 years compared to a

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non-weighted average age for the world containership fleet, as of February 29, 2008, of 11 years. Its initial and contracted fleet has been, and the newbuilding will be, built to established standards by reputable shipyards, including Hanjin,

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Daewoo and the China Shipbuilding Corporation. Global Ship Lease believes that owning a modern and consistently maintained fleet reduces the number of off-hire days, decreases operating costs, improves safety and provides Global Ship Lease with a competitive advantage in securing future employment for its vessels. The vessels in its initial and contracted fleet will range in capacity from 2,207 TEU to 10,960 TEU, with an average TEU capacity of approximately 3,900. In addition, eight of the ships in its fleet are geared. This diversity in its fleet will allow its vessels to operate on different trading routes and offer increased flexibility in the re-charter market. Its fleet will also include five sets of sister ships with similar design specifications, which will provide Global Ship Lease with certain efficiencies in crew training and lower inventory and maintenance expenses.

*Financial strength and flexibility.* Global Ship Lease entered into an \$800 million credit facility to finance, in part, the acquisition of its initial and contracted fleet. After payment for its initial and contracted fleet, Global Ship Lease expects to have \$274.3 million of undrawn availability under its credit facility. Global Ship Lease believes that these available funds, together with its policy of retaining a portion of its cash flows for re-investment, will allow Global Ship Lease to make accretive vessel acquisitions.

*Experienced management team.* Global Ship Lease's management team has an aggregate of over 40 years of experience in the international container shipping industry and long-term relationships with many companies and individuals in the industry. Global Ship Lease will be able to capitalize on this experience and relationships to identify future acquisitions and charter opportunities and expand its customer base.

Although Global Ship Lease believes that it possesses the foregoing competitive strengths, Global Ship Lease faces a number of business challenges that may affect its profitability, including, but not limited to, its limited operating history, the implications of the size of the containership newbuilding orderbook compared to the current existing fleet and how that will affect the industry's perception of the modernness of its vessels in its initial and contracted fleet and how the volatile credit market will affect its ability to secure future sources of financing. Please see "Risk factors" for a more detailed discussion of the risks associated with its business.

### **Global Ship Lease's Business Strategies**

Global Ship Lease will seek to increase distributable cash flow per share by following certain business strategies. The key elements of its strategy are:

*Make accretive acquisitions of vessels.* Global Ship Lease intends to increase the size of its fleet beyond its initial and contracted fleet through acquisitions of newbuildings and secondhand vessels. Global Ship Lease expects to have financial flexibility under its credit facility to purchase additional vessels to increase distributable cash flow per share. Acquisitions will be analyzed based on whether they meet targeted return thresholds and are accretive to cash flow in addition to meeting GSL Holdings' portfolio diversification requirements in terms of vessel size, charter term and charterer.

*Expand its customer relationships.* Global Ship Lease intends to add additional container shipping companies as customers. As container shipping companies continue to increase their use of chartered-in vessels to add capacity in their existing trade routes or establish new trade routes, Global Ship Lease believes the long-term relationships that management has with container shipping companies will enhance its ability to secure new customers and diversify its revenue base.

*Focus on long-term, fixed-rate charters.* Global Ship Lease's business strategy is to enter into long-term, fixed-rate charters with reputable container shipping companies, which will provide Global Ship Lease with stable future cash flows. According to Drewry, container shipping companies are growing or reconfiguring their fleets by acquiring vessels on long-term charters and Global Ship Lease believes that its focus on competitively priced, long-term, fixed-rate charters will position Global Ship Lease well to secure additional charters.

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*Maintain a modern and diverse fleet.* Global Ship Lease believes that its ability to maintain and increase its customer base will depend largely on the quality and diversity of its fleet and cost efficient operations and cost of capital allowing Global Ship Lease to price long-term charters competitively. Global Ship Lease believes that owning a modern fleet reduces operating costs, improves safety and provides Global Ship Lease with a competitive advantage in securing future employment for its vessels. Global Ship Lease also believes the different sizes of the ships in its fleet, which includes five sets of sister ships, and the fact that eight are geared, will be attractive to container shipping companies, allowing them to consider its vessels for a variety of trade routes.

*Continue to outsource ship management services.* Global Ship Lease intends to outsource its ship management services. Currently the day-to-day technical management of its fleet is provided by CMA Ships, a wholly owned subsidiary of CMA CGM. As of March 31, 2008, CMA CGM managed 106 container vessels that it owned in its 393-vessel fleet varying in capacity from 100 TEU to 9,415 TEU. Global Ship Lease will monitor the Ship Manager to ensure its fleet is well managed at comparable terms compared to other third party technical managers and Global Ship Lease has the right to terminate the ship management agreements after the first anniversary under certain circumstances including being able to find a lower cost provider. As it expands its fleet, Global Ship Lease intends to outsource its ship management services for its vessels to third parties.

*Maintain financial strength and flexibility.* Global Ship Lease intends to preserve its financial strength and flexibility, initially through \$275.4 million available undrawn capacity under its \$800 million credit facility, so that it will be able to fund its capital expenditures, take advantage of market conditions and pursue expansion opportunities.

Global Ship Lease can provide no assurance that it will be able to implement its business strategies described above. Global Ship Lease urges you to consider carefully all the factors set forth in Risk factors.

## **Time Charters**

The following is a summary of the material terms of the time charters for Global Ship Lease's initial fleet. The form of Global Ship Lease's time charters has been filed as an exhibit to the registration statement of which this joint proxy statement/prospectus forms a part. You can also obtain copies of these charters by following the instructions under Where You Can Find Additional Information.

## **General**

A time charter is a contract for the use of a vessel for a fixed period of time at a specified daily rate. Under a time charter, the vessel owner provides crewing and other services related to the vessel's operation, the cost of which is included in the daily rates. The initial Charterer is responsible for substantially all of the vessel's voyage costs, such as fuel and cargo handling charges. Each of the vessels in its initial and contracted fleet is subject to a long-term time charter with CMA CGM, although up to May 31, 2008, four vessels were chartered to one of CMA CGM's wholly owned subsidiary companies, Delmas. Global Ship Lease has separate subsidiaries to own each individual vessel in its initial and contracted fleet. Global Ship Lease will guarantee the obligations of each of its subsidiaries under the charters and CMA CGM will guarantee any accrued liabilities and obligations of its subsidiary, Delmas, which previously chartered vessels from Global Ship Lease, up to the date Delmas ceased being a charterer, such guarantee to be released on January 3, 2009.

**Table of Contents****Initial Term**

Each of Global Ship Lease's charters is long-term and commences on a vessel's delivery. Due to different delivery dates and terms, its charters will expire on different dates and over a period of time. Global Ship Lease believes the staggered expirations of its charters will reduce its exposure to re-chartering risk upon expiration of its initial long-term charters and may mitigate the impact of any downturn in the container shipping industry. The charters have initial terms of five to 17 years and its initial and contracted fleet together will have a non-weighted average charter period of 11 years. The basic charter periods for its fleet are as follows:

| <b>Vessel Name</b>              | <b>Commencement of Charter</b> | <b>Charter Period (Years)</b> |
|---------------------------------|--------------------------------|-------------------------------|
| <b>Initial Fleet:</b>           |                                |                               |
| <i>Ville d Orion</i>            | December 2007                  | 5                             |
| <i>Ville d Aquarius</i>         | December 2007                  | 5                             |
| <i>CMA CGM Matisse</i>          | December 2007                  | 9                             |
| <i>CMA CGM Utrillo</i>          | December 2007                  | 9                             |
| <i>MOL Rainbow</i>              | December 2007                  | 10                            |
| <i>Julie Delmas</i>             | December 2007                  | 10                            |
| <i>Marie Delmas</i>             | December 2007                  | 10                            |
| <i>Kumasi</i>                   | December 2007                  | 10                            |
| <i>CMA CGM La Tour</i>          | December 2007                  | 9                             |
| <i>CMA CGM Manet</i>            | December 2007                  | 9                             |
| <i>CMA CGM Alcazar</i>          | January 2008                   | 13                            |
| <i>CMA CGM Château d If</i>     | January 2008                   | 13                            |
| <b>First Contracted Fleet:</b>  |                                |                               |
| <i>Hull 4126 (Newbuilding)</i>  | December 2008 (expected)       | 17                            |
| <i>CMA CGM Jamaica</i>          | December 2008 (expected)       | 14                            |
| <i>CMA CGM Sambhar</i>          | December 2008 (expected)       | 14                            |
| <i>CMA CGM America</i>          | December 2008 (expected)       | 14                            |
| <b>Second Contracted Fleet:</b> |                                |                               |
| <i>CMA CGM Berlioz</i>          | July 2009 (expected)           | 12                            |
| <b>Daily Rate</b>               |                                |                               |

Daily rate refers to the basic payment by the initial Charterer to the owner for the use of the vessel. Under all of its time charters, hire is payable to Global Ship Lease in advance every 15 days in United States dollars. The daily rate is a fixed daily amount that will remain the same for the duration of the charter. In certain circumstances the charter rate can increase. Under the global expense agreement, CMA CGM has agreed, effective as of the fourth year of each charter agreement, to compensate Global Ship Lease, for any vessel in its initial and contracted fleet, by the amount by which actual operating costs per day (excluding any drydock costs and insurance premiums) are greater than \$500 over a specified amount, which specified amount is based on projected costs over the life of each charter, provided more than 50% of such increase is attributable to crew and lubricating oil costs, such compensation not to exceed \$500 per day per vessel.

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The following chart shows the daily hire rate that CMA CGM has agreed to pay for each vessel which includes an increase of \$65 per day for the eight 2200 TEU vessels from April 1, 2008:

| Vessel Name                     | Daily Hire Rate |
|---------------------------------|-----------------|
| <b>Initial Fleet:</b>           |                 |
| <i>Ville d Orion</i>            | \$ 21,500       |
| <i>Ville d Aquarius</i>         | \$ 21,500       |
| <i>CMA CGM Matisse</i>          | \$ 17,965       |
| <i>CMA CGM Utrillo</i>          | \$ 17,965       |
| <i>MOL Rainbow</i>              | \$ 17,965       |
| <i>Julie Delmas</i>             | \$ 17,965       |
| <i>Marie Delmas</i>             | \$ 17,965       |
| <i>CMA CGM La Tour</i>          | \$ 17,965       |
| <i>CMA CGM Manet</i>            | \$ 17,965       |
| <i>Kumasi</i>                   | \$ 17,965       |
| <i>CMA CGM Alcazar</i>          | \$ 33,250       |
| <i>CMA CGM Château d If</i>     | \$ 33,250       |
| <b>First Contracted Fleet:</b>  |                 |
| <i>Hull 4126 (Newbuilding)</i>  | \$ 46,700       |
| <i>CMA CGM Jamaica</i>          | \$ 24,850       |
| <i>CMA CGM Sambhar</i>          | \$ 24,850       |
| <i>CMA CGM America</i>          | \$ 24,850       |
| <b>Second Contracted Fleet:</b> |                 |
| <i>CMA CGM Berlioz</i>          | \$ 33,500       |
| <b>Operations and Expenses</b>  |                 |

As owner, Global Ship Lease will maintain each vessel in class and in an efficient state of hull and machinery and will be responsible for vessel costs such as crewing, maintenance and drydock. The initial Charterer will be responsible for the voyage costs, which includes bunker fuel, stevedoring, port charges and towage. Global Ship Lease has entered into ship management agreements and the global expense agreement with its Ship Manager. Please see Ship Manager and Management Related Agreements of Global Ship Lease for a description of the material terms of the ship management agreements and the global expense agreement.

Costs incurred due to structural changes because of changes in legal, classification society or regulatory requirements regarding the vessel shall be paid by Global Ship Lease unless the annual costs aggregate to more than \$100,000 for each vessel impacted by such changes, in which case the initial Charterer will fully compensate Global Ship Lease through a corresponding charterhire rate increase that will be in effect from the year the aggregate amount is reached.

The initial Charterer is required to pay any costs of war risks insurance and additional crew expenses, if any, that are applicable if the initial Charterer acts outside the insurance limits and for entering areas which are specified by the insurance underwriters as being subject to additional premiums because of war risks.

**Right of First Refusal**

Pursuant to the terms of the time charter, the initial Charterer has a right of first refusal to purchase the vessel at matching terms to any offer of any third party if Global Ship Lease decides to sell the vessel during, or at the end of, the charter period. Should the initial Charterer not exercise its right of first refusal in case of a sale during the charter period, Global Ship Lease will be entitled to sell the vessel, subject to the initial Charterer's approval, which shall not be unreasonably withheld. The initial Charterer has the right to reject a sale of a vessel to owners whose business or shareholding is determined to be detrimental or contrary to the initial Charterer's interest.

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### ***Off-hire***

Under the time charter, when the vessel is not available for service, or off-hire, the initial Charterer generally is not required to pay the hire rate (unless the initial Charterer is responsible for the circumstances giving rise to the ship's unavailability), and Global Ship Lease is responsible for costs during any off-hire period, and possible additional costs of fuel to regain lost time. A vessel generally will be deemed to be off-hire if there is an occurrence that affects the full working condition of the vessel, such as:

any drydocking for repairs, maintenance or classification society inspection;

any damage, defect, breakdown or deficiency of the ship's hull, machinery or equipment or repairs or maintenance thereto;

any deficiency of the ship's master, officers and/or crew, including the failure, refusal or inability of the ship's master, officers and/or crew to perform the service immediately required, whether or not within its control;

its deviation, other than to save life or property, which results in the initial Charterer's lost time;

crewing labor boycotts or certain vessel arrests; or

Global Ship Lease's failure to maintain the vessel in compliance with the charter's requirements, such as maintaining operational certificates.

### ***Ship Management and Maintenance***

Under each of its time charters, Global Ship Lease is responsible for the operation and management of each vessel, which includes crewing, maintaining the vessel, periodic drydocking and performing work required by regulations. The day-to-day crewing and technical management of its vessels will be provided by its Ship Manager pursuant to the terms of the ship management agreements. Please see Ship Manager and Management Related Agreements of Global Ship Lease for a description of the material terms of the ship management agreements.

### ***Termination and Withdrawal***

If a vessel is off-hire for more than 90 consecutive days, then the initial Charterer may cancel the charter without any further consequential claims provided the vessel is free of cargo.

If a vessel's fuel consumption is increased for a prolonged period above a specified percentage or speed is decreased below a specified level, the time charter provides that hire payments under the time charter may be adjusted until or unless the speed and fuel consumption return to the level specified in the time charter. If a vessel's fuel consumption exceeds a higher percentage than the percentages specified in the charter over a continuous period of 30 days, and the reason is within its or the vessel's control, the initial Charterer may request that Global Ship Lease cures the deficiency. If the deficiency is not cured within 30 days after Global Ship Lease receives notice, then the initial Charterer may terminate the charter.

If either party informs the other party of a default under the charter, and the default is not rectified within 60 days of such notice, then the party giving the notice has the right to terminate the time charter with respect to that vessel.

The charter payments will terminate in the event of a total (actual or constructive) loss of the vessel.

Global Ship Lease may suspend the performance of its obligations under the charter if the initial Charterer defaults on its payment obligations under the charter.



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### **Transitional Services Agreement**

To assist Global Ship Lease in commencing its operations, Global Ship Lease will enter into a transitional services agreement with CMA CGM on the closing date of the Merger. Pursuant to this agreement, CMA CGM will provide general administrative and support services to Global Ship Lease upon its request. Global Ship Lease will pay for the services at (1) cost plus a margin of 5% and (2) for the services of employees of CMA CGM at agreed upon hourly rates. There is no minimum amount of services Global Ship Lease must purchase from CMA CGM, nor is Global Ship Lease required to utilize CMA CGM to provide any such services. The transitional services agreement will have an initial term of twelve months following the completion of the Merger during which neither party can terminate the agreement. Thereafter, unless terminated, it will be renewable by Global Ship Lease for monthly periods for up to a total of six additional months. After the initial twelve-month term, either Global Ship Lease or CMA CGM can terminate the transitional services agreement upon three months' advance written notice to the other party.

### **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, on request, also undertakes 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, 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 for 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 are typically conducted (a) two and one-half years after commissioning the vessel and (b) after each class renewal of the vessel. Most vessels are also drydocked every 36 to 60 months for inspection of their underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a recommendation that must be rectified by the shipowner within prescribed time limits. However, by increasing the resilience of the underwater coating of a vessel and marking the vessel's hulls to accommodate in-water inspection by divers, in-water inspections may be accepted in lieu of drydockings. In-water inspections are typically less expensive than drydocking inspections and Global Ship Lease intends to conduct in-water inspections when that option is available to it.

*Class Renewal Surveys.* Class renewal surveys, also known as special surveys, are carried out for the ship's hull, machinery, including the electrical plant, and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At 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 money 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 was 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

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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.

As a condition for obtaining insurance coverage as well as for obtaining financing from its lenders, every one of Global Ship Lease's vessels needs to be certified in class by a member of the IACS. Six of the secondhand vessels in Global Ship Lease's initial fleet currently have recommendations. Global Ship Lease is currently aware of existing recommendations on three vessels in its contracted fleet. Pursuant to the terms of the asset purchase agreement, any recommendations or suspensions from class which exist at the time of sale to Global Ship Lease will need to be remedied at the sole expense of the vendors before or during the next scheduled drydocking of that vessel. Global Ship Lease will also be indemnified for a period of two years from the date of the sale of the vessel for certain losses incurred prior to the full repair of the vessel that arise out of any recommendations existing on the vessel or suspensions from class at the time of sale. Please see Acquisition of Initial and Contracted Fleet of Global Ship Lease Asset Purchase Agreement for more information. If the recommendations are not sufficiently corrected as determined by a member of the IACS, then the vessel may not remain in class. If a vessel is not in class, it may not be covered by insurance, and thus may not be available for charter. In addition, Global Ship Lease's vessels must remain in class as a condition to obtaining financing from the lenders under its credit facility.

The following table lists the months by which the vessels in Global Ship Lease's initial and contracted fleet need to have completed their next drydocking:

| <b>Vessel Name</b>             | <b>Drydocking Month*</b> |
|--------------------------------|--------------------------|
| <i>Ville d Orion</i>           | May 2011                 |
| <i>Ville d Aquarius</i>        | March 2011               |
| <i>CMA CGM Matisse</i>         | September 2009           |
| <i>CMA CGM Utrillo</i>         | October 2009             |
| <i>MOL Rainbow</i>             | March 2013               |
| <i>Julie Delmas</i>            | October 2012             |
| <i>Marie Delmas</i>            | March 2012               |
| <i>CMA CGM La Tour</i>         | July 2011                |
| <i>CMA CGM Manet</i>           | July 2011                |
| <i>Kumasi</i>                  | June 2012                |
| <i>CMA CGM Alcazar</i>         | November 2012            |
| <i>CMA CGM Château d If</i>    | December 2012            |
| <i>Hull 4126 (Newbuilding)</i> | December 2013            |
| <i>CMA CGM Jamaica</i>         | March 2011               |
| <i>CMA CGM Sambhar</i>         | July 2011                |
| <i>CMA CGM America</i>         | September 2011           |
| <i>CMA CGM Berlioz</i>         | June 2011                |

\* Expected months of drydocking assume that the vessels of Global Ship Lease's initial and contracted fleet qualify for in-water inspections.

**Competition**

Global Ship Lease operates in markets that are highly competitive. Global Ship Lease competes for charters based upon price, customer relationships, operating expertise, professional reputation and size, age and condition of the vessel. Global Ship Lease also expects to compete with many other companies, including CMA CGM and its subsidiaries, to, among other things, purchase newbuildings and secondhand vessels to grow its fleet.

Global Ship Lease expects substantial competition in obtaining new containership charters from a number of experienced and substantial companies. Many of these competitors have significantly greater current financial

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resources than Global Ship Lease does, and can therefore operate larger fleets and may be able to offer better charter rates. There may be an increasing number of owners with vessels available for charter, including many with strong reputations and extensive resources and experience. This increased competition may cause greater price competition for time charters. As a result of these factors, Global Ship Lease may be unable to maintain or expand its relationships with its initial Charterer or to obtain new customers on a profitable basis, if at all, which would have a material adverse effect on its business, results of operations and financial condition and its ability to pay dividends to its shareholders. For a more detailed description of the competitive environment, please see *The International Containership Industry*.

### **Permits and Authorizations**

Global Ship Lease is required by various governmental and other agencies to obtain certain permits, licenses and certificates with respect to its vessels. The kinds of permits, licenses and certificates required depend upon several factors, including the commodities transported, the waters in which the vessel operates, the nationality of the vessel's crew and the age of a vessel. Not all of the permits, licenses and certificates currently required to operate the vessels globally have been obtained by Global Ship Lease or its Ship Manager. For example, the *MOL Rainbow*, *Julie Delmas*, *Kumasi* and *Marie Delmas* vessels are not compliant with all United States, Canadian and Panama Canal regulations, as its initial Charterer does not intend to operate them in these waters.

### **Environmental and Other Regulations**

Government regulation significantly affects the ownership and operation of vessels. Global Ship Lease is subject to international conventions and codes, and national, state and local laws and regulations in force in the countries in which its 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, and water discharges and ballast water management. Compliance with these laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures, and are subject to frequent change.

A variety of governmental and private entities subject its vessels to both scheduled and unscheduled inspections. These entities include the local port authorities, United States Coast Guard, harbor master or equivalent, classification societies, flag state administrations, country of registry, charterers, and terminal operators. Certain of these entities require Global Ship Lease to obtain permits, licenses and certificates for the operation of its vessels. Failure to maintain necessary permits or approvals could require Global Ship Lease to incur substantial costs or temporarily suspend the operation of one or more of its vessels in one or more ports.

Global Ship Lease believes 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 shipping industry.

Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. Global Ship Lease will be required to maintain operating standards for all of its vessels that emphasize operational safety, quality maintenance, continuous training of its officers and crews and compliance with United States and international regulations. Because such laws and regulations are frequently changed and may impose increasingly strict requirements, future environmental regulations may limit Global Ship Lease's ability to do business, increase its operating costs, force the early retirement of its vessels and/or affect their resale value, all of which could have a material adverse affect on its financial condition and results of operations.

### ***International Maritime Organization***

Global Ship Lease's vessels are subject to standards imposed by the International Maritime Organization, or IMO, the United Nations agency for maritime safety and the prevention of pollution by ships. The IMO has

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negotiated international conventions and implemented regulations that address oil discharges, ballasting and unloading operations, sewage, garbage and air emissions, and impose liability for pollution in international waters and a signatory's territorial waters.

The IMO's International Convention for the Prevention of Pollution from Ships, or MARPOL, imposes environmental standards on the shipping industry relating to oil spills, management of garbage, the handling and disposal of noxious liquids, harmful substances in packaged forms, sewage and air emissions. Annex I specifies requirements for continuous monitoring of oily water discharges and establishes a number of special areas in which more stringent discharge standards are applicable. Carriage of chemicals in bulk is covered by regulations MARPOL Annex II. Annex III of MARPOL regulates the transportation of packaged dangerous goods (marine pollutants) and includes standards on packing, marking, labeling, documentation, stowage, quantity limitations and pollution prevention. These Annex III 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. Annex IV contains a set of regulations regarding the discharge of sewage into the sea, the configuration and operation of ships' equipment and systems for the control of sewage discharge, and requirements for survey and certification. Annex V totally prohibits the disposal of plastics anywhere into the sea, and severely restricts discharges of other garbage from ships into coastal waters and special areas. MARPOL's Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from ship 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. Global Ship Lease has registered the vessels in its initial fleet, and intends to register the vessels in the contracted fleet, in flag states that have ratified Annex VI, which require that Global Ship Lease obtains International Air Pollution Prevention Certificates, or IAPP Certificates, for the vessels in its initial and contracted fleet, from those flag states. As of March 31, 2008, all of the vessels in the initial fleet had IAPP Certificates.

The operation of its vessels is also affected by the requirements set forth in the International Management Code for the Safe Operation of Ships and Pollution Prevention, or ISM Code, compliance with which is required under the International Convention of Safety of Life at Sea, or SOLAS. The ISM Code requires shipowners or any other entity such as a manager or a bareboat charterer, who has assumed the responsibility for operating and managing the vessel, to develop and maintain a Safety Management System, which includes the requirements to adopt a safety and environmental protection policy; instructions and procedures to ensure safe operation of ships and protection of the environment pursuant to international and flag state laws and regulations; defined levels of authority and lines of communication between, and among, shore and shipboard personnel; procedures for reporting accidents and non-conformities within the provision of the ISM Code; procedures to prepare guidelines and respond to emergency situation; and procedures for internal audits and management reviews. The ISM Code requires that the vessel operator be issued a Document of Compliance and the vessels it operates be issued a Safety Management Certificate, evidencing compliance by the vessel's management with ISM Code requirements for a Safety Management System. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. As of March 31, 2008, each of the vessels in its initial fleet, and the entities managing or owning them, were certified pursuant to requirements of ISM Code. There can be no assurance that any certification will be maintained indefinitely. SOLAS itself specifies minimum standards for the construction, equipment and operation of ships, compatible with their safety. Flag states are responsible for ensuring that ships under their jurisdictions comply with these requirements, and require various certificates pursuant to SOLAS as proof of such compliance.

The IMO has also adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments, or BWM Convention. The BWM 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 IMO Member States, the combined merchant fleets of which represent not less than 35% of the

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gross tonnage of the world's merchant shipping. Please see "The National Invasive Species Act and the Clean Water Act," below, for a discussion of possible impacts of increased ballast water management regulation.

Increasingly, independent agencies representing various nations and regions are adopting additional unilateral requirements on the operation of vessels in their territorial waters. These regulations, as described below, apply to its vessels when they are in their waters and can add to the costs of operating and maintaining those vessels as well as increasing the potential liabilities that apply to spills or releases of oil or other materials or violations of the applicable requirements.

### ***United States***

#### ***The United States Oil Pollution Act of 1990***

The United States Oil Pollution Act of 1990, or OPA, establishes 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 and affects all owners and operators whose vessels trade in the United States, including its territories and possessions, or whose vessels operate in United States waters, which includes the United States' territorial sea and its two hundred nautical mile exclusive economic zone. Although OPA is primarily directed at oil tankers (which are not operated by Global Ship Lease), it also applies to non-tanker ships, including containerships, with respect to the fuel oil, or bunkers, used to power such ships.

Under OPA, vessel owners, operators and bareboat charterers are "responsible parties" and are jointly, severally and strictly liable (unless the spill 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 oil 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.

The Coast Guard and Maritime Transportation Act of 2006, or CGMTA, amended OPA to increase the limits of the liability of responsible parties. For any non-tank vessel, the new limits on liability are the greater of \$950 per gross ton or \$800,000. These limits of liability do not apply if an incident was directly caused by violation of applicable United States 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. Additionally, 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. Global Ship Lease intends to comply with all applicable state regulations in the ports where its vessels call.

Global Ship Lease intends to maintain pollution liability coverage insurance in the amount of \$1.0 billion per incident for each of its vessels. If the damages from a catastrophic spill were to exceed its insurance coverage it could have an adverse effect on its business and results of operation.

OPA requires owners and operators of vessels to obtain a certificate of financial responsibility by establishing and maintaining with the United States Coast Guard, or Coast Guard, evidence of financial responsibility sufficient to meet their potential liabilities under the OPA; 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. Regulations currently require evidence of

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financial responsibility for non-tank vessels in the amount of \$300 per gross ton, or \$0.5 million, whichever is greater (these totals include the financial responsibility amounts established under CERCLA, as described below). However, the Coast Guard published a notice of proposed rulemaking on February 5, 2008, proposing to revise that regulatory requirement to reflect the increased limits on liability described above. An owner or operator may evidence its financial responsibility by showing proof of insurance, surety bond, self-insurance or guaranty. 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. For its vessels that plan on entering U.S. waters, Global Ship Lease intends to comply with the United States Coast Guard regulations by providing a certificate of responsibility from third party entities that are acceptable to the United States Coast Guard evidencing sufficient self-insurance.

The United States 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 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 costs of obtaining this insurance for Global Ship Lease and its competitors.

In addition, Title VII of the Coast Guard and Maritime Transportation Act of 2004 amended OPA to require the United States Coast Guard to issue regulations 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, to prepare and submit a response plan for each vessel. The United States Coast Guard has not issued such regulations yet, but has published a guidance document that allows for the issuance of interim authorization letters until the final regulations are promulgated. The vessel response plans include detailed information on actions to be taken by vessel personnel to prevent or mitigate any discharge or threat of discharge of oil from the vessel due to operational activities or casualties. Global Ship Lease is in the process of preparing plans to comply with the requirements of the CGMTA and OPA.

### *The Comprehensive Environmental Response, Compensation, and Liability Act*

The Comprehensive Environmental Response, Compensation, and Liability Act, or CERCLA, governs spills or releases of hazardous substances other than petroleum or petroleum products. CERCLA imposes joint and several liability, without regard to fault, on the owner or operator of a ship, vehicle or facility from which there has been a release, along with other specified responsible parties. 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, unless the incident is caused by gross negligence, willful misconduct or a violation of certain regulations, in which case liability is unlimited. These liability amounts are included in the total financial responsibility amounts required to obtain a Coast Guard certificate of financial responsibility, as described above.

### *The National Invasive Species Act and the Clean Water Act*

The National Invasive Species Act, or NISA, was enacted in 1996 in response to growing reports of harmful organisms being released into United States ports through ballast water taken on by ships in foreign ports. Under NISA, the Coast Guard requires mandatory ballast water management practices for all vessels equipped with ballast water tanks bound for United States ports or entering United States waters and requires vessels to maintain a ballast water management plan that is specific for that vessel and assigns responsibility to the master

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or appropriate official to understand and execute the ballast water management strategy for that vessel. Coast Guard regulations also establish penalties for ships headed to the United States that fail to submit a ballast water management reporting form, as well as vessels bound for the Great Lakes or portions of the Hudson River that violate mandatory ballast water management requirements. The Coast Guard may now impose a civil penalty of up to \$27,500 per day or, in the case of knowing violations, Class C Felony charge for non-submittal.

The Clean Water Act, or CWA, prohibits the discharge of oil or hazardous substances in United States navigable waters without a permit and imposes strict liability in the form of penalties for any unauthorized discharges. Current Environmental Protection Agency, or EPA, regulations exempt ships in United States navigable waters from the requirement to obtain CWA permits for discharges of ballast water and other substances incidental to the normal operation of vessels. However, a United States District Court ruled in 2006 that EPA lacks the authority to exclude discharges of vessel ballast water from permitting requirements under the CWA, invalidating the blanket exemption in EPA regulations for all discharges incidental to the normal operation of a vessel as of September 30, 2008, and directed EPA to develop a system for regulating all discharges from vessels by that date. Unless this decision is overturned on appeal or by legislation, or the relief in question is modified, vessels entering United States waters would be required to comply with the CWA permitting program to be developed by the EPA or face penalties.

Changes in ballast water management rules and regulations, either in the United States or internationally (please see International Maritime Organization above), could increase the cost of compliance for ocean carriers, including requiring installation of equipment of ballast water treatment systems on vessels at substantial cost.

### ***European Union***

The European Union has 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 of 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 European Union 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. It is impossible to predict what additional legislation or regulations, if any, may be promulgated by the European Union or any other country or authority.

### ***Other Regions***

The environmental protection regimes in other relatively high-income countries, such as Canada, resemble those of the United States. To the extent Global Ship Lease operates in the territorial waters of such countries or enter their ports, its vessels would typically be subject to the requirements and liabilities imposed in such countries. Other regions of the world also have the ability to adopt requirements or regulations that may impose additional obligations on its vessels and may entail significant expenditures on its part and may increase its costs to operate its initial and contracted fleet. These requirements, however, would apply to the industry as a whole who operate in those regions and would also affect Global Ship Lease's competitors.

### **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 Maritime Transportation Security Act of 2002, or MTSA, came into effect. To implement certain portions of the MTSA, the United States Coast Guard in July 2003 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 came into effect in

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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 Code, or ISPS Code. Among the various requirements are:

on-board installation of automatic information systems to enhance vessel-to-vessel and vessel-to-shore communications;

on-board installation of ship security alert systems;

the development of vessel security plans; and

compliance with flag state security certification requirements.

United States Coast Guard regulations are intended to align with international maritime security standards and they exempt non-United States vessels from MTSA vessel security measures provided such vessels have on board a valid International Ship Security Certificate that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code. Global Ship Lease has implemented various security measures addressed by SOLAS and the ISPS Code for the vessels in its initial fleet and intends to do so in the future for the vessels of its contracted fleet.

### **100% Container Screening**

The United States signed into law the 9/11 Commission Act on August 3, 2007. The Act requires that all containers destined to the United States be scanned by x-ray machines before leaving port. This new requirement for 100% scanning is set to take effect in 2012, but the Secretary of the United States Department of Homeland Security has the authority to set an earlier deadline (based on developments arising from the on-going pilot program under the SAFE-Port Act of 2006) or to extend the deadline up to two years, to 2014. Ports that ship to the United States will likely have to install new x-ray machines and make infrastructure changes in order to accommodate the screening requirements. Such implementation requirements may change which ports are able to ship to the United States and shipping companies may incur significant increased costs. It is impossible to predict how this requirement will affect the industry as a whole, but changes and additional costs can be reasonably expected.

### **Risk of Loss and Liability Insurance**

#### ***General***

The operation of any container 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 damages, spills or releases, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes, in certain circumstances, 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 ship owners and operators trading in the United States market.

Global Ship Lease maintains marine hull and machinery insurance, war risks insurance, protection and indemnity cover, increased value insurance and freight, demurrage and defense cover for all its vessels in amounts that it believes to be prudent to cover normal risks in its operations, but Global Ship Lease may not be able to maintain these levels of coverage throughout its vessels' useful lives. Furthermore, while Global Ship Lease believes that its 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 Global Ship Lease will always be able to obtain adequate insurance coverage at reasonable rates.

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### ***Hull & Machinery, Loss of Hire and War Risks Insurance***

Global Ship Lease maintains marine hull and machinery and war risks insurance, which covers the risk of actual or constructive total loss, for all of its vessels. Its vessels are each covered up to at least fair market value, which Global Ship Lease expects its board of directors to assess at least annually, with certain deductibles per vessel per incident. Global Ship Lease also maintains increased value coverage for each of its vessels. Under this increased value coverage, in the event of total loss of a vessel, Global Ship Lease will be entitled to recover amounts not recoverable under its hull and machinery policy due to under-insurance. Under the terms of its credit facility, Global Ship Lease has assigned these insurance policies to its lenders and is subject to restrictions on its use of any proceeds therefrom.

Global Ship Lease may obtain loss-of-hire insurance covering the loss of revenue during extended off-hire periods. Global Ship Lease believes that this type of coverage might be valuable. Global Ship Lease will evaluate the need for such coverage on an ongoing basis, taking into account insurance market conditions and the employment of its vessels.

### ***Protection and Indemnity Insurance***

Protection and indemnity insurance is mutual indemnity insurance provided by mutual protection and indemnity associations, or P&I Associations, which insure its third-party and crew liabilities in connection with its 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, 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. Subject to the capping discussed below, its coverage, except for pollution, will be unlimited. Its protection and indemnity insurance coverage for pollution will be \$1.0 billion per vessel per incident.

The International Group is comprised of 13 P&I Associations. The International Group insures approximately 90% of the world's commercial blue-water tonnage and has entered into a pooling agreement with each of its members to reinsure each association's liabilities. This pooling agreement provides a mechanism for sharing all claims up to a current cap of approximately \$5.4 billion. Global Ship Lease intends to remain a member of a P&I Association that is a member of the International Group, and as such, Global Ship Lease will be subject to calls payable to the other P&I Associations based on the International Group's claim records as well as the claim records of all other members of the individual P&I Associations.

### ***Legal Proceedings***

Global Ship Lease has not been involved in any legal proceedings that may have, or have had a significant effect on its business, financial position, results of operations or liquidity, and Global Ship Lease is not aware of any proceedings that are pending or threatened that may have a material effect on its business, financial position, results of operations or liquidity. From time to time, Global Ship Lease may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. Global Ship Lease expects that these claims would be covered by insurance, subject to customary deductibles. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

### ***Exchange Controls***

Under Marshall Islands 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 the common shares of Global Ship Lease.

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**ACQUISITION OF INITIAL AND CONTRACTED FLEET OF GLOBAL SHIP LEASE**

The following includes a summary of the material terms of the asset purchase agreement. For more information, you should read the asset purchase agreement filed as an exhibit to the registration statement of which this joint proxy statement/prospectus forms a part. You can also obtain a copy of this agreement by following the instructions under [Where You Can Find Additional Information](#).

**Asset Purchase Agreement**

Pursuant to the asset purchase agreement, Global Ship Lease has acquired its initial fleet of 12 vessels from CMA CGM and will acquire five additional vessels from CMA CGM. Global Ship Lease refers to CMA CGM together with its vessel-owning subsidiaries as the vendors. Please see [Global Ship Lease Business](#) [Global Ship Lease's Fleet](#) for a description of the vessels that have been or are to be acquired.

Under the asset purchase agreement, the vendors have warranted to Global Ship Lease that the vessels sold to Global Ship Lease will be delivered in class, with valid classification certificates and without recommendations, or that any recommendations or suspensions from class which exist and have not been cured by the time of the sale of the vessel will be remedied at the sole expense of the vendors before or during the next scheduled drydocking of that vessel. Global Ship Lease is currently aware of existing recommendations on six vessels in its initial fleet and on three vessels in its contracted fleet. In the event that, after its sale to Global Ship Lease, a vessel is off-hire due to any of the recommendations or suspensions from class (or for any repairs thereof) that existed at the time of the sale of the vessel to Global Ship Lease, the vendors have agreed to pay Global Ship Lease the daily charter hire amounts (as provided in the relevant charter agreement for such vessel) for each day that the vessel is off-hire due to the existing conditions of class or recommendations or suspensions from class or for any repairs thereof. In addition, Global Ship Lease is currently and will be indemnified for a period of two years from the date of the purchase of the vessel for certain losses incurred prior to the full repair of the vessel that arise out of any conditions of class or recommendations or suspensions from class existing on the vessel at the time of sale.

In the case of a vessel with an existing condition of class or recommendation or suspensions from class as of the intended date of sale, where all or any portion of its purchase price is to be funded with borrowings under its credit facility, Global Ship Lease is obligated under the terms of the asset purchase agreement to obtain the consent of the lenders prior to its purchase. If the lenders do not provide their consent, then the vendor shall be obligated to fully repair the vessel prior to its sale to Global Ship Lease at its own expense. Once repaired, Global Ship Lease and the vendor will be obligated to complete the sale of the vessel in accordance with the terms of the asset purchase agreement; provided that Global Ship Lease has available, or is able to obtain under its credit facility, sufficient funds to pay the purchase price.

The vendors have also warranted to Global Ship Lease that the vessels will be free from all liens, encumbrances and mortgages or any other debts whatsoever. The vendors further agree to indemnify Global Ship Lease against all consequences of claims made against the vessels that are incurred prior to the agreed upon time and date of delivery.

Pursuant to the asset purchase agreement, Global Ship Lease has the right to inspect each of the secondhand vessels and review its records and classification surveys in connection with its purchase. Global Ship Lease used a qualified third party to complete such inspections and reviews but does not intend to perform any underwater inspections prior to the time of delivery. The vendors have agreed that they will deliver the vessels to Global Ship Lease in the same condition as they were at the time of its inspection, fair wear and tear excepted. The vendor has agreed to consult with Global Ship Lease regarding any inspections the vendor is making of the newbuilding in its first contracted fleet, but it is not obligated to invite Global Ship Lease to participate in any inspections of those vessels if such action would violate the terms of the agreements by which it is acquiring the newbuilding.

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### ***Global Ship Lease's Initial and Contracted Fleets***

The aggregate purchase price for the initial fleet was \$573.0 million. Global Ship Lease financed the acquisition of the vessels of its initial fleet with borrowings under its credit facility and a shareholder loan from CMA CGM (which will be cancelled upon the Merger).

The aggregate purchase price for the vessels of Global Ship Lease's contracted fleet is \$437.0 million, of which \$99.0 million is deemed to be prepaid pursuant to the Merger. Global Ship Lease expects to finance the balance of the purchase price of the vessels in its contracted fleet with borrowings under its credit facility. If CMA CGM does not deliver one of the vessels in the contracted fleet, then the amount payable to CMA CGM will be correspondingly reduced.

The terms of the asset purchase agreement provide that in the event of any adjustment to the purchase price of the newbuilding in Global Ship Lease's contracted fleet, that adjustment (which may be either a price increase or a price reduction) will be transferred to Global Ship Lease from the vendor. Any such purchase price adjustment will also cause a corresponding change to be made to the charter hire paid for such vessel pursuant to its time charter.

### ***Secondhand Vessels***

The 10 secondhand vessels in Global Ship Lease's initial fleet were owned by CMA CGM or one of its wholly owned subsidiaries. They were delivered to Global Ship Lease in December 2007.

The three secondhand vessels in Global Ship Lease's first contracted fleet, the *CMA CGM Jamaica*, the *CMA CGM Sambhar* and the *CMA CGM America*, are currently owned by third parties, unaffiliated with the vendors (please see Global Ship Lease Business Global Ship Lease's Fleet ) and are presently chartered to CMA CGM. Under each charter with such third party, CMA CGM has the option to purchase the vessels. CMA CGM has exercised its purchase options and, pursuant to the terms of the asset purchase agreement, will sell those vessels to Global Ship Lease. CMA CGM expects to deliver to Global Ship Lease the three secondhand vessels in its first contracted fleet in December 2008, subject to CMA CGM's acquisition of the vessels from the third party charterer.

The vessel in its second contracted fleet, the *CMA CGM Berlioz*, is currently owned by CMA CGM. CMA CGM expects to deliver it to Global Ship Lease in July 2009.

### ***Newbuilding and Newly Built Vessels***

The two newly built vessels in Global Ship Lease's initial fleet, the *CMA CGM Chateau d'If* and the *CMA CGM Alcazar*, were built by Hanjin Heavy Industries & Construction Co., Ltd. at its Youngdo shipyard in Busan, Korea pursuant to ship building contracts with Cosco Charleston Maritime Inc. and Cosco Norfolk Maritime, Inc. CMA CGM entered into a separate memorandum of agreement with each of Cosco Charleston Maritime, Inc. and Cosco Norfolk Maritime, Inc., pursuant to which CMA CGM acquired the two vessels from such entities in November and December 2007. Each of the sellers assigned to CMA CGM the builder's guarantee of material and workmanship as per the original ship building contracts. The sellers are not responsible for any claim relating to the condition or performance of the newly built vessels after delivery to CMA CGM. Instead, CMA CGM must pursue such claims against the builder.

Global Ship Lease acquired the two vessels from CMA CGM in January 2008. The asset purchase agreement provides for, among other things, the transfer to Global Ship Lease of the builder's guarantee of material and workmanship under the original ship building contracts or, if such transfer is unenforceable, an obligation by CMA CGM to enforce the warranties on its behalf and a transfer by CMA CGM to Global Ship Lease of any reductions in the purchase price of the vessels due to failure of the ships to meet the specifications set forth in their respective ship building contracts.

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Global Ship Lease's *Hull 4126* newbuilding in its first contracted fleet is being built by Daewoo Shipbuilding & Marine Engineering Co., Ltd., or Daewoo, at its shipyard on Okpo Koje Island, Korea pursuant to a ship building contract with CMA CGM. The ship building contract will not be assigned to Global Ship Lease by CMA CGM prior to delivery of the ship to Global Ship Lease, and CMA CGM will be responsible for payments due under the ship building contract. Global Ship Lease will take delivery of the newbuilding after it is constructed, purchased and delivered to CMA CGM, subject to terms of the shipbuilding contract. If CMA CGM is not obligated to purchase the newbuilding because it does not meet the relevant specifications, then, pursuant to the terms of the asset purchase agreement, Global Ship Lease can request that CMA CGM purchase the vessel anyway on the condition that CMA CGM will not have any obligation to charter such vessel or incur any additional liability for its purchase. If the newbuilding is delivered but does not meet the specifications set forth in the ship building contract, then Global Ship Lease is entitled to receive all rebates, discounts and reductions entitled to be given to CMA CGM and the purchase price and charterhire rate will be reduced accordingly.

For a 12-month period that begins once the vessel has been delivered to CMA CGM, Daewoo guarantees the vessel and all parts and equipment thereof against all defects which are directly due to, but are not limited to, defective materials, construction miscalculation and/or poor workmanship, provided that such defects have not been caused by seaborne dangers, or navigation, or by normal wear and tear, overloading, improper loading or stowage, fire, accident or by any other circumstances beyond the control of the ship builder, incompetence, mismanagement, negligence or willful neglect or by alteration of addition by CMA CGM not previously approved by the builder. If the shipyard agrees, all such warranties, to the extent assignable, will be transferred to Global Ship Lease in connection with its purchase of the newbuilding. If the shipyard does not agree, CMA CGM has agreed in the asset purchase agreement that it will enforce the warranties on Global Ship Lease's behalf.

**Table of Contents****GLOBAL SHIP LEASE CREDIT FACILITY**

The following is a summary of the material terms of the Global Ship Lease credit facility. For more information, you should read the credit facility and its addendum filed as an exhibit to the registration statement of which this joint proxy statement/prospectus forms a part. You can also obtain a copy of this agreement by following the instructions under [Where You Can Find Additional Information](#).

Global Ship Lease established an eight year \$800 million senior secured revolving credit facility with Fortis Bank (Nederland) N.V., as Agent, Citibank Global Markets Limited, HSH Nordbank AG, Sumitomo Mitsui Banking Corporation, Brussels Branch, KFW and DnB Nor Bank ASA, which Global Ship Lease refers to as its credit facility. Global Ship Lease has received the requisite consents of the lenders under the credit facility with respect to the Merger.

Global Ship Lease drew funds under its credit facility to finance in part the purchase of its initial fleet and will draw additional funds under its credit facility to finance in part the purchase of its contracted fleet and may draw down additional funds for the purchase of additional vessels meeting the requirements described below, as well as for other general corporate purposes. All of Global Ship Lease's subsidiary companies owning vessels included in the security package are borrowers and guarantors jointly and severally guaranteeing Global Ship Lease's obligations under the credit facility. Global Ship Lease when used in this Section [Global Ship Lease's Credit Facility](#), refers to Global Ship Lease and its subsidiaries who are borrowers and guarantors under the credit facility.

Global Ship Lease borrowed \$401.1 million under the credit facility to finance \$401.1 million of the price of its initial fleet. Global Ship Lease intends to borrow an additional \$256.0 million under the credit facility upon the acquisition of its first contracted fleet, expected to be purchased in December 2008, and \$82.0 million upon the acquisition of its second contracted fleet, which is expected to be purchased in July 2009. Subject to the satisfaction of certain conditions described below, Global Ship Lease is permitted to borrow funds up to the full amount of the credit facility for a period of five years from the closing of the credit facility. Commencing five years after the closing of the credit facility, amounts that Global Ship Lease is able to borrow under the credit facility will reduce as discussed below.

Global Ship Lease expects to pay a commitment fee of 0.25% per annum, which will be payable quarterly in arrears, on the undrawn portion of the credit facility. Global Ship Lease will be responsible for the duly justified costs properly incurred in connection with the establishment and the maintenance of the credit facility.

Borrowings under the credit facility bear interest at a rate of the margin over one, three, six, nine or 12 month United States Dollar LIBOR, or such other periods as the Agent may agree. The margin will depend on the leverage ratio, which is defined as the ratio of the aggregate amount outstanding under its credit facility, net of surplus cash held in the retention account, to the aggregate market value of the vessels securing the credit facility. The charter-free market value of a vessel is calculated semi-annually as the arithmetic average of valuations determined by two independent sale and purchase brokers acceptable to the Agent. Set forth below is the margin that applies to the applicable leverage ratio:

| <b>Leverage Ratio</b>   | <b>Margin</b> |
|-------------------------|---------------|
| Up to 50%               | 0.75%         |
| Greater than 50% to 60% | 0.80%         |
| Greater than 60% to 70% | 0.90%         |
| Greater than 70% to 75% | 1.10%         |

During the continuance of any principal or interest default, the margin on the overdue amounts increases by 2% per annum. Pursuant to the terms of the credit facility, Global Ship Lease must hedge at least 50% of the amounts outstanding under the credit facility. Global Ship Lease intends to hedge prior to the Merger 100% of the amounts expected to remain outstanding under the credit facility.

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Global Ship Lease's ability to borrow amounts under its credit facility is subject to the execution of customary documentation relating to the credit facility, including security documents, satisfaction of certain customary conditions precedent and compliance with terms and conditions included in the loan documents. Its ability to borrow to acquire additional vessels that will be included in the security package under the credit facility will be subject to the target vessel being a vessel where Global Ship Lease can prove (i) certain financial requirements related to the vessel, (ii) that the vessel is a container carrier of standard design and at least 750 TEU in capacity, (iii) that it is no more than 10 years old at the time of acquisition and (iv) that it is employed by an acceptable charterer. In certain limited circumstances, Global Ship Lease can utilize the credit facility to purchase vessels that will not be required to form part of the security package. Global Ship Lease's ability to draw funds under its credit facility will be subject to its total borrowings under its credit facility not exceeding 70% of the aggregate charter-free market value of the vessels within the security package.

The credit facility amount will reduce, commencing five years from the date of closing of the credit facility, in 12 equal quarterly installments. Global Ship Lease must repay any amount outstanding that is in excess of the newly-reduced maximum credit facility amount. The amount of each installment will be determined four years and nine months after the date of closing of the credit facility based on the following formula: one-quarter of the amount of the credit facility amount divided by the number equal to 18 minus the average age of all vessels included in the security package weighted by market value. Any amount outstanding under the credit facility at the maturity date must be repaid in one installment. Global Ship Lease may voluntarily cancel undrawn amounts under the credit facility from time to time in a minimum amount of \$5.0 million or in multiples of \$2.5 million in excess of such amount.

## **Security**

Global Ship Lease's credit facility provides that borrowings under the credit facility are secured by the following:

a first priority pledge over Global Ship Lease's accounts, and those of Global Ship Lease's subsidiaries owning vessels in the security package, which is held with the Agent;

cross-collateralized first priority mortgages on each of the vessels in the security package registered or flagged in a jurisdiction acceptable to the lenders;

marine and war risks insurance covering a minimum of 110% of the outstanding credit facility amount;

a first priority assignment of time charter contracts, in respect of the vessels in the security package;

a first priority assignment of insurances in respect of each of the vessels in the security package;

a first priority pledge over the shares of Global Ship Lease's borrowing or guaranteeing subsidiaries;

corporate guarantees for Global Ship Lease's obligations from guarantors being Global Ship Lease's non-borrowing subsidiaries under this credit facility;

a first priority assignment of the unconditional and irrevocable corporate guarantee from CMA CGM to Global Ship Lease for the obligations of the initial Charterer, under the time charters, in cases where the initial Charterer is a subsidiary of CMA CGM;

a first priority assignment of the management agreements for the vessels in the security package; and

a first priority (general) assignment of the earnings of the vessels in the security package.

In the event of either the sale or total loss of a vessel, the amount available for Global Ship Lease to borrow under its credit facility will be reduced so that its borrowings under the credit facility does not exceed 70% of the market value of the remaining vessels that secure its obligations under the credit facility.

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### **Covenants**

Global Ship Lease's credit facility contains covenants that require Global Ship Lease to ensure, among other things, that:

the employment details of additional vessels that Global Ship Lease acquires are given to the Agent;

technical and/or operational management of all the vessels secured under this facility and/or the supervisor in respect of newbuildings to be executed by CMA CGM or any of its wholly owned subsidiaries, or any other company internationally recognized and acceptable to the Agent;

the earnings accounts, the operating account and retention account in relation to the vessels are held with the Agent;

the vessels are in class, free of any material overdue recommendations, and the classification society is part of the IACS. No change of class without the prior written consent of the Agent, such consent not to be unreasonably withheld;

Global Ship Lease is only to be involved in the business of ownership of vessels, technical and commercial management of such vessels and related activities;

Global Ship Lease may not charter-in vessels, lease vessels or enter into any similar arrangement without the prior written approval of the Agent, other than time chartering up to three months, such consent not to be unreasonably withheld, unless the arrangement is with or to Global Ship Lease or its subsidiaries, in which case no approval from the Agent shall be required;

Global Ship Lease has supplied a list of acceptable flags approved by the Agent. Global Ship Lease may change flag to another approved flag provided the Agent receives the required documentation;

Global Ship Lease is restricted from certain asset acquisitions and disposals with respect to its subsidiaries other than disposals made in the ordinary course of business of the disposing subsidiary on arms-length terms and for fair value or any disposal of assets (other than vessels) in exchange for other assets comparable or superior as to type, value and quality;

there are restrictions on the ability of Global Ship Lease's subsidiaries to incur additional indebtedness;

Global Ship Lease will at all times comply with the International Maritime Code for the Safe Operation of Ships and for Pollution Prevention adopted by the IMO;

there is no change of ownership of any of Global Ship Lease's subsidiaries;

Global Ship Lease will provide the Agent with audited annual consolidated accounts, quarterly management accounts and, in respect of each subsidiary, annual unaudited accounts as soon as they are made available, in no event later than 120 days of the year-end and 60 days of the end of each quarter. Further relevant financial information will be provided on demand;

Global Ship Lease shall, at the same time the audited annual consolidated accounts and management accounts are due, provide the Agent with compliance certificates showing the calculation of the financial covenants. A listing of charter rates may also be included;

Global Ship Lease cannot dispose of net assets in excess of \$300.0 million (of which a maximum of \$200.0 million in aggregate should be in respect of its initial and contracted fleet) over any period of three consecutive calendar years other than with the consent of the Agent; and

Global Ship Lease may pay dividends if (1) no event of default has occurred or is continuing, (2) the payment of such a dividend does not trigger an event of default and (3) any payments to be made into the retention account are fully up to date.

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Global Ship Lease's credit facility contains financial covenants requiring that, among other things:

its cash balance on a consolidated basis must be a minimum of \$15.0 million or six months' interest expense at all times;

Global Ship Lease's financial net debt to total capitalization ratio shall not exceed 75%;

Global Ship Lease's ratio of EBITDA to debt service, on a trailing four-quarter basis, shall be no less than 1.10 to 1; and

Global Ship Lease maintains a minimum net worth of \$200.0 million.

## **Events of Default**

Among other things, each of the following events with respect to Global Ship Lease or any of its subsidiaries, in some cases after the passage of time or notice or both, is an event of default under the credit facility agreement:

non-payment of amounts due and payable under this credit facility within four business days of the due date;

Global Ship Lease or its subsidiaries' breach of Global Ship Lease's non-financial covenants and failure to remedy within seven business days of receipt of a notice;

Global Ship Lease's breach of a financial covenant;

cross default with respect to Global Ship Lease and its subsidiaries' other obligations for any amount in excess of \$15.0 million (with respect to Global Ship Lease) and \$10.0 million (with respect to its subsidiaries);

if any person other than CMA CGM, and not agreed to by the lenders, acquires more than 51% of its outstanding voting shares; and

default of the initial Charterer or the Charter Guarantor which is continuing in respect of three or more of the time charter contracts associated with its initial and contracted fleet or default of more than half by number of the time charters associated with any approved charterer (provided such charterer is the charterer of at least 25% of Global Ship Lease's vessels).

The credit facility agreement provides that upon the occurrence of an event of default, the lenders may require that all amounts outstanding under the credit facility be repaid immediately and terminate Global Ship Lease's ability to borrow under the credit facility and foreclose on the mortgages over the vessels and the related collateral.

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### **SHIP MANAGER AND MANAGEMENT RELATED AGREEMENTS OF GLOBAL SHIP LEASE**

The following is a summary of the material terms of the ship management agreements and the global expense agreement. For more information, you should read each vessel's ship management agreement and the global expense agreement filed as exhibits to the registration statement of which this joint proxy statement/prospectus forms a part. You can also obtain copies of these agreements by following the instructions under "Where You Can Find Additional Information."

#### **General**

Global Ship Lease's Ship Manager, CMA Ships, provides day-to-day technical ship management services, including purchasing, crewing, vessel maintenance including arranging drydocking inspections and ensuring compliance with flag, class and other statutory requirements necessary to support Global Ship Lease's business. CMA CGM guarantees the performance of all services and any payment due to Global Ship Lease by its Ship Manager pursuant to the ship management agreements.

As of March 31, 2008, Global Ship Lease's Ship Manager's parent company, CMA CGM, managed the 106 container vessels that it owned in its 393-vessel fleet.

#### **Ship Management Agreements**

Global Ship Lease has entered into individual ship management agreements with its Ship Manager to manage each vessel in its initial fleet and will enter into individual ship management agreements with its Ship Manager to manage each vessel in its contracted fleet. Pursuant to its ship management agreements, Global Ship Lease expects to pay its Ship Manager for its services an annual management fee of \$114,000 per vessel. Under the ship management agreements, its Ship Manager is responsible for all day-to-day ship management, including crewing, purchasing stores, lubricating oils and spare parts, paying wages, pensions and insurance for the crew, and organizing other vessel operating necessities, including the arrangement and management of drydocking. Global Ship Lease will reimburse the Ship Manager for costs it incurs on Global Ship Lease's behalf. However, such cost reimbursement is capped on a quarterly basis pursuant to the global expense agreement described in more detail below in "Global Expense Agreement." Each ship management agreement provides that Global Ship Lease has the right to audit the accounts of its Ship Manager to verify the costs incurred. The Ship Manager has agreed to maintain Global Ship Lease's vessels so that they remain in class with valid certification. In addition, the Ship Manager will be responsible for Global Ship Lease's fleet's compliance with all government and other regulations, and compliance with class certifications.

Global Ship Lease's Ship Manager has established an accounting system and maintains the records of all costs and expenditures incurred as well as data necessary for the settlement of accounts between parties. Global Ship Lease will arrange for insurance coverage for each of its vessels, including hull and machinery insurance, protection and indemnity insurance and war risk insurance and Global Ship Lease will be responsible for the payment of all premiums.

Global Ship Lease's Ship Manager is required to use its best endeavors to provide the services specified in the ship management agreements. Pursuant to the terms of the ship management agreements, Global Ship Lease will indemnify its Ship Manager and its employees, agents and sub-contractors and hold them harmless against all actions, proceedings, claims, demands or liabilities which may be brought against them or incurred by them arising out of or in connection with the performance of the ship management agreements, unless the same is proved to have resulted solely from the negligence, gross negligence or willful default of the Ship Manager, its employees, agents and sub-contractors.

Global Ship Lease's Ship Manager will not be permitted to sub-contract its obligations under the ship management agreements without Global Ship Lease's consent, which Global Ship Lease will not unreasonably

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withhold. With Global Ship Lease's consent, the Ship Manager has sub-contracted certain of its management services under eight of its ship management agreements to its UK subsidiary, CMA Ships UK, and four of its ship management agreements to Midocean, an unaffiliated third party with whom it had existing agreements and that manages the four relevant vessels. Under the ship management agreements between the Ship Manager and Midocean, Midocean provides basic crewing, technical management and accounting services to four vessels that were owned by CMA CGM's wholly owned subsidiary, Delmas S.A.S. and were subsequently sold to Global Ship Lease.

Global Ship Lease is under no obligation to hire the Ship Manager to manage any vessel it may acquire other than the vessels in Global Ship Lease's initial and contracted fleet. Global Ship Lease's ship management agreements with the Ship Manager have a term of three years subject to the termination rights set forth below.

### ***Global Ship Lease's Termination Rights***

The ship management agreements are cancelable by Global Ship Lease if its Ship Manager fails to meet its obligations under the ship management agreements for any reason within its control and fails to remedy the default. In addition, after a ship management agreement has been in effect for one year, Global Ship Lease has the option of terminating the ship management agreement upon three months notice if Global Ship Lease can secure more competitive pricing from a recognized third party, approved by CMA CGM as charterer of the vessels, such approval not to be unduly withheld, subject to CMA CGM's right to match the third party's terms.

The current agreements have been in effect since the acquisition of the initial fleet in December 2007 and January 2008.

### ***Other Termination Rights***

Global Ship Lease's Ship Manager can terminate the agreement prior to the end of its term if, among other things: (a) it has not been paid within 30 days of a written request for payment (and Global Ship Lease fails to remedy such default) or (b) Global Ship Lease undergoes a change in control other than the Merger.

Either party may terminate a ship management agreement in the event of an order being made or a resolution being passed for the winding up, dissolution or bankruptcy of either party, or if a receiver is appointed, or if it suspends payment, ceases to carry on business or makes a special arrangement with its creditors. The ship management agreement will also terminate if the vessel becomes a total loss, is declared as a constructive or compromised or arranged total loss, is requisitioned or sold.

**Table of Contents****Global Expense Agreement**

Pursuant to the ship management agreements, ship operating expenses incurred by the Ship Manager on Global Ship Lease's behalf in the operation of its fleet will be reimbursed. Pursuant to the global expense agreement that Global Ship Lease entered into with its Ship Manager, these expenses will be subject to a quarterly cap. Drydocking expenses and insurance premiums are not included in the cap arrangements. For each quarterly period, its Ship Manager bears the amount (if any) by which the actual aggregate expenses, excluding drydocking expenses and insurance premiums, and costs of accidents and incidents incurred with respect to all vessels in service exceed the aggregate cap for such quarterly period. The table below sets out the per diem cap per vessel.

| <b>Vessel Name</b>             | <b>Per Diem Cap (\$)</b> |
|--------------------------------|--------------------------|
| <i>Ville d Orion</i>           | 6,400                    |
| <i>Ville d Aquarius</i>        | 6,400                    |
| <i>CMA CGM Matisse</i>         | 5,400                    |
| <i>CMA CGM Utrillo</i>         | 5,400                    |
| <i>MOL Rainbow</i>             | 5,400                    |
| <i>Julie Delmas</i>            | 5,400                    |
| <i>Marie Delmas</i>            | 5,400                    |
| <i>CMA CGM La Tour</i>         | 5,400                    |
| <i>CMA CGM Manet</i>           | 5,400                    |
| <i>Kumasi</i>                  | 5,400                    |
| <i>CMA CGM Alcazar</i>         | 5,900                    |
| <i>CMA CGM Château d If</i>    | 5,900                    |
| <i>Hull 4126 (Newbuilding)</i> | 8,800                    |
| <i>CMA CGM Jamaica</i>         | 6,650                    |
| <i>CMA CGM Sambhar</i>         | 6,650                    |
| <i>CMA CGM America</i>         | 6,650                    |
| <i>CMA CGM Berlioz</i>         | 7,800                    |

Once its ship management agreements and the global expense agreement with its Ship Manager expire or are terminated, Global Ship Lease may not be able to negotiate for similar terms in replacement agreements.

Also in the global expense agreement, CMA CGM has agreed, effective as of the fourth year of each charter agreement, to compensate Global Ship Lease, for any vessel in its initial and contracted fleet by the amount by which actual operating costs per day (excluding any drydock costs and insurance premiums) are greater than \$500 over a specified amount, which specified amount is based on projected costs over the life of each charter, provided more than 50% of such increase is attributable to crew and lubricating oil costs, such compensation not to exceed \$500 per day per vessel.

**Table of Contents****MARATHON SELECTED FINANCIAL INFORMATION**

Marathon Acquisition Corp. was incorporated in Delaware on April 27, 2006 as a blank check company for the purpose of acquiring, through a merger, stock exchange, asset acquisition, reorganization or similar business combination, one or more operating businesses. Marathon has not acquired an entity as of the date of this joint proxy statement/prospectus. Marathon has selected December 31 as its fiscal year end. Marathon is considered to be in the development stage and is subject to the risks associated with activities of development stage companies. The condensed financial information set forth below should be read in conjunction with the audited financial statements of Marathon and related notes included elsewhere in this joint proxy statement/prospectus.

**Marathon Acquisition Corp.****Balance Sheets**

|   | <b>March 31,<br/>2008<br/>(Unaudited)</b> | <b>December 31,<br/>2007</b> | <b>December 31,<br/>2006</b> |
|---|---|------------------------------|------------------------------|
| Cash and cash equivalents   | \$ 2,132,372                              | \$ 2,671,034                 | \$ 1,370,943                 |
| Investments held in trust account   | 316,142,702                               | 314,130,809                  | 308,608,131                  |
| Interest receivable   | 450,781                                   | 999,199                      | 1,333,770                    |
| Prepaid expenses  | 945,932                                   | 498,074                      | 181,304                      |
| Deferred tax asset  |   |                              | 193,441                      |
| Deferred acquisition costs  | 1,421,951                                 |                              |                              |
| <b>Total assets</b>   | <b>\$ 321,093,738</b>                     | <b>\$ 318,299,116</b>        | <b>\$ 311,687,589</b>        |
| Total liabilities   | 10,211,133                                | 6,616,181                    | 6,687,450                    |
| Common stock subject to possible redemption   | 61,795,116                                | 61,795,116                   | 61,795,116                   |
| Interest attributable to common stock subject to possible conversion (net of income taxes of \$1,156,989) | 1,612,462                                 | 1,402,720                    |                              |
| Total stockholders equity   | 247,475,027                               | 248,485,099                  | 243,205,023                  |
| <b>Total liabilities and stockholders equity</b>  | <b>\$ 321,093,738</b>                     | <b>\$ 318,299,116</b>        | <b>\$ 311,687,589</b>        |

**Table of Contents****Marathon Acquisition Corp.****Statements of Operations**

|   | Three<br>Months<br>ended<br>March 31,<br>2008<br>(Unaudited) | Three<br>Months<br>ended<br>March 31,<br>2007<br>(Unaudited) | Period from<br>April 27,<br>2006<br>(inception)<br>through<br>March 31,<br>2008<br>(in U.S. dollars) | For the year<br>ended<br>December 31,<br>2007 | For the<br>period<br>April 27,<br>2006<br>(inception)<br>through<br>December 31,<br>2006 |
|---|--|--|--|---|--|
| Loss from operations  | \$ (1,862,784)   | \$ (286,275)   | \$ (3,470,688)   | \$ (1,183,948)                                | \$ (423,957)   |
| Interest income   | 1,953,413  | 3,911,907  | 22,082,681   | 14,875,339                                    | 5,253,929  |
| Income before provision for income taxes  | 90,629   | 3,625,632  | 18,611,993   | 13,691,391                                    | 4,829,972  |
| Provision for income taxes  | (890,960)  | (1,639,000)  | (10,082,512)   | 7,008,594                                     | 2,182,957  |
| Net Income (loss)   | (800,331)  | 1,986,632  | 8,529,481  | 6,682,797                                     | 2,647,015  |
| Less: Interest attributable to common stock subject to possible conversion (net of income taxes of \$1,156,989) | (209,741)  | (221,646)  | (1,612,462)  | (1,402,721)                                   |  |
| Net income (loss) attributable to common stock not subject to possible conversion                               | \$ (1,010,072)   | \$ 1,764,986   | \$ 6,917,019   | \$ 5,280,076                                  | \$ 2,647,015   |
| Maximum number of shares subject to possible conversion:  |  |  |  |   |  |
| Weighted average shares outstanding subject to possible conversion  | 8,033,166  | 8,033,166  |  | 8,003,166                                     | 4,162,937  |
| Income (loss) per share amount (basic and diluted)  | \$ (0.03)  | \$ 0.03  |  | \$ 0.18                                       | \$ 0.00  |
| Weighted average number of shares outstanding not subject to possible conversion                                |  |  |  |   |  |
| Basic   | 41,407,684   | 41,407,684   |  | 41,407,684                                    | 26,035,219   |
| Diluted   | 41,407,684   | 50,682,881   |  | 52,374,624                                    | 30,224,108   |
| Net income (loss) per share amount  |  |  |  |   |  |
| Basic   | \$ (0.02)  | \$ 0.04  |  | \$ 0.13                                       | \$ 0.10  |
| Diluted   | \$ (0.02)  | \$ 0.03  |  | \$ 0.10                                       | \$ 0.09  |

**Table of Contents****Marathon Acquisition Corp.****Statements of Stockholders Equity****For the period from April 27, 2006 (inception) through March 31, 2008**

|  | Common Stock |          | Additional<br>Paid-In<br>Capital<br>(in U.S. dollars) | Earnings<br>Accumulated<br>in the<br>Development<br>Stage | Stockholders<br>Equity |
|--|--------------|----------|---|---|------------------------|
|  | Shares       | Amount   |   |   |                        |
| Issuance of common stock to initial stockholders   | 9,375,000    | \$ 938   | \$ 24,062   | \$  | \$ 25,000              |
| Sale of 40,035,850 units, net of underwriters discounts and commissions and offering expenses (including 8,003,1666 shares subject to possible conversion) | 40,035,850   | 4,004    | 296,824,120   |   | 296,828,124            |
| Sale of private placement warrants   |              |          | 5,500,000   |   | 5,500,000              |
| Net proceeds subject to possible conversion of 8,003,166 shares  |              |          | (61,795,116)  |   | (61,795,116)           |
| Net Income   |              |          |   | 2,647,015   | 2,647,015              |
| Balance at December 31, 2006   | 49,410,850   | \$ 4,942 | \$ 240,553,066  | \$ 2,647,015  | \$ 243,205,023         |
| Accretion of trust account relating to common stock subject to possible conversion   |              |          |   | (1,402,721)   | (1,402,721)            |
| Net income   |              |          |   | 6,682,797   | 6,682,797              |
| Balance at December 31, 2007   | 49,410,850   | \$ 4,942 | \$ 240,553,066  | \$ 7,927,091  | \$ 248,485,099         |
| Accretion of trust account relating to common stock subject to possible conversion   |              |          |   | (209,741)   | (209,741)              |
| Net (loss)   |              |          |   | (800,331)   | (800,331)              |
| Balance at March 31, 2008 (unaudited)  | 49,410,850   | \$ 4,942 | \$ 240,553,066  | \$ 6,917,019  | \$ 247,475,027         |

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

**Overview**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with Marathon's financial statements and the related notes and schedules thereto.

Marathon was formed on April 27, 2006 as a blank check company for the purpose of acquiring, through a merger, stock exchange, asset acquisition, reorganization or similar business combination, one or more operating businesses.

As of March 31, 2008, approximately \$316.1 million was held in trust (plus accrued interest of approximately \$0.5 million, excluding \$6.4 million of deferred underwriting discounts and commissions). Marathon has incurred, and expect to continue to incur, substantial costs related to the Merger. As of March 31, 2008, however, Marathon had only approximately \$2.1 million of unrestricted cash available for completing the Merger, for payment of approximately \$3.1 million of accrued expenses and for general corporate purposes. As a result, Marathon cannot assure stockholders that the cash Marathon has available will be sufficient to cover its expenses.

The initial target business or businesses with which Marathon combines must have a collective fair market value equal to at least 80% of the balance in the trust account (excluding deferred underwriters' discounts and commissions). However, Marathon may not use all of the proceeds held in the trust account in connection with a business combination, either because the consideration for the business combination is less than the proceeds in trust or because Marathon finances a portion of the consideration with capital stock or debt securities that it can issue. In that event, the proceeds held in the trust account as well as any other net proceeds not expended will be used to finance the operations of the target business or businesses.

Marathon may issue additional capital stock or debt securities to finance a business combination. The issuance of additional capital stock, including upon conversion of any convertible debt securities Marathon may issue, or the incurrence of debt, could have material consequences on Marathon's business and financial condition. The issuance of additional shares of Marathon's capital stock (including upon conversion of convertible debt securities):

may significantly reduce the equity interest of Marathon's stockholders;

will likely cause a change in control if a substantial number of Marathon's shares of common stock or voting preferred stock are issued, which may affect, among other things, Marathon's ability to use its net operating loss carry forwards, if any, and may also result in the resignation or removal of one or more of our present officers and directors; and

may adversely affect prevailing market prices for Marathon's common stock.

Similarly, if Marathon issues debt securities, it could result in:

default and foreclosure on Marathon's assets if its operating revenues after a business combination are insufficient to pay its debt obligations;

acceleration of Marathon's obligations to repay the indebtedness even if Marathon makes all principal and interest payments when due if Marathon breaches the covenants contained in any debt securities, such as covenants that require the satisfaction or maintenance of certain financial ratios or reserves, without a waiver or renegotiation of such covenants;

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an obligation to immediately repay all principal and accrued interest, if any, upon demand to the extent any debt securities are payable on demand; and

Marathon's inability to obtain additional financing, if necessary, to the extent any debt securities contain covenants restricting Marathon's ability to obtain additional financing while such security is outstanding, or to the extent Marathon's existing leverage discourages other potential investors.

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Through March 31, 2008, Marathon's efforts have been limited to organizational activities, activities relating to Marathon's initial public offering, activities relating to identifying and evaluating prospective acquisition candidates, and activities relating to general corporate matters; Marathon has incurred significant costs conducting due diligence and negotiating the Merger; and Marathon has neither engaged in any operations nor generated any revenues, other than interest income earned on the proceeds of its private placement and initial public offering. Marathon earned approximately \$2.0 million in interest income for the three months ended March 31, 2008, of which approximately \$1.5 million was received and approximately \$0.5 million was accrued as of March 31, 2008.

As of March 31, 2008, Marathon had only approximately \$2.1 million of unrestricted cash available for completing the Merger, for payment of approximately \$3.1 million of accrued expenses and for general corporate matters. The following table shows the total funds held in the trust account through March 31, 2008:

|   |                       |
|---|-----------------------|
| Net proceeds from Marathon's initial public offering and private placement of warrants to Marathon Investors, LLC placed in trust | \$ 302,416,724        |
| Deferred underwriters' discounts and commissions  | 6,405,736             |
| Total interest received to date   | 21,360,648            |
| Less total interest disbursed to Marathon for working capital through March 31, 2008  | 3,900,000             |
| Less total taxes paid through March 31, 2008  | 10,140,406            |
| <b>Total funds held in trust account at March 31, 2008</b>  | <b>\$ 316,142,702</b> |
| Interest Receivable attributable to the Trust   | \$ 450,781            |

For the three months ended March 31, 2008, Marathon paid or incurred an aggregate of approximately \$3.3 million (excluding income taxes) in expenses for the following purposes:

premiums associated with Marathon's directors and officers liability insurance;

payment of estimated taxes incurred as a result of interest income earned on funds currently held in the trust account;

expenses for due diligence and investigation of prospective target businesses;

legal and accounting fees relating to Marathon's SEC reporting obligations and general corporate matters; and

miscellaneous expenses.

This represents an increase in expenses from the three months ended March 31, 2007 of approximately \$613,000, reflecting additional legal and accounting fees and due diligence expenses associated with the negotiation and entry into the merger agreement.

Marathon believes that it will have sufficient funds to allow it to operate through August 30, 2008 (its deadline to complete a business combination), at which time it will be forced to liquidate, assuming that a business combination is not consummated during that time. On February 20, 2008, Marathon announced that it had met the criteria under its certificate of incorporation permitting it to extend the period in which it is able to complete a business combination until the expiration of the 24-month period from the consummation of its initial public offering, or August 30, 2008. Accordingly, Marathon's auditors' opinion includes an explanatory paragraph expressing substantial doubt about Marathon's ability to continue as a going concern. Over this time period, Marathon anticipates incurring expenses for the following purposes:

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payment of premiums associated with Marathon's director's and officer's insurance;

payment of estimated taxes incurred as a result of interest income earned on funds currently held in the trust account;

due diligence and investigation of prospective target businesses;

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legal and accounting fees relating to Marathon's SEC reporting obligations and general corporate matters;

structuring and negotiating a business combination, including the making of a down payment or the payment of exclusivity or similar fees and expenses; and

other miscellaneous expenses.

**Results of Operations**

***Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007***

For the three months ended March 31, 2008, Marathon earned approximately \$2.0 million of interest income compared to approximately \$3.9 million of interest income for the three months ended March 31, 2007, reflecting lower interest rates on its funds during the three months ended March 31, 2008 partially offset by a higher average investment balance during 2008. Average three-month LIBOR during the first three months of 2007 was approximately 3.62% while average three-month LIBOR during the first three months of 2007 was 5.36%.

Net loss from operations was \$1.8 million for the three months ended March 31, 2008 compared with a net loss from operations of \$0.3 million for the three months ended March 31, 2007. The increase in net loss from operations during 2008 was primarily due to increases in expenses related to finding an acquisition target including due diligence and legal expenses.

Despite recording a net loss, Marathon recognized a provision for income taxes of \$0.8 million for the three months ended March 31, 2008, due to the recognition of a valuation allowance for deferred tax assets totaling \$0.9 million. The provision for income taxes was \$1.6 million or 45.5% for the three months ended March 31, 2007.

***Year Ended December 31, 2007 Compared to the Period from April 27, 2006 through December 31, 2006***

Marathon earned approximately \$14.9 million and \$5.2 million in interest income for the year ended December 31, 2007 and for the period from April 27, 2006 through December 31, 2006, respectively. The increase in interest income during 2007 was primarily due to a longer investment period and a higher average invested balance during 2007. The investment period for the year ended December 31, 2007 was 12 months while the period from April 27, 2006 through December 31, 2006 was only approximately eight months. Average three-month LIBOR during 2007 was approximately 5.31% while average three-month LIBOR during the last eight months of 2006 was 5.39%.

Loss from operations was \$1.2 million for the year ended December 31, 2007 compared with a loss of \$0.4 million for the period from April 27, 2006 through December 31, 2006. The increase in loss from operations during 2007 was primarily due to increases in expenses related to finding an acquisition target including due diligence and legal expenses. Recurring expenses such as insurance, auditing and SEC reporting expenses were also greater during the 12 month of 2007 versus an eight-month period in 2006.

The effective tax rate for 2007 was 51.1% versus 45.5% for 2006. The increase during 2007 was primarily attributable to a \$725,000 increase in the deferred tax valuation allowances during 2007, which includes the establishment of a valuation allowance against the deferred tax assets of December 31, 2007.

Beginning in the first quarter of 2007, Marathon earned enough interest on a cumulative basis to begin accreting interest income to common stock subject to possible conversion. Interest attributable to common stock subject to possible conversion was \$1.4 million for the year ended December 31, 2007, net of income taxes of \$1.2 million. During 2006, Marathon had not earned enough interest on a cumulative basis to begin accreting interest income to common stock subject to possible conversion.

**Table of Contents****Impact of Possible Conversion on Stockholders' Equity**

The following table demonstrates the possible impact of 5%, 10%, 15% and 19.9% conversions on Stockholders' Equity.

|  | 5% Conversion          | 10% Conversion | 15% Conversion | 19.9% Conversion |
|--|------------------------|----------------|----------------|------------------|
|  | (numbers in thousands) |                |                |                  |
| Common stock subject to possible redemption                          | 15,457                 | 30,913         | 46,370         | 61,795           |
| Interest attributable to common stock subject to possible conversion | 403                    | 807            | 1,210          | 1,613            |
| Common stock - Marathon  | 5                      | 5              | 5              | 5                |
| Additional paid in capital   | 286,892                | 271,435        | 255,979        | 240,553          |
| Retained earnings (deficit)  | 8,127                  | 7,724          | 7,320          | 6,917            |

**Recent Developments**

On February 20, 2008, Marathon announced that it had met the criteria under its certificate of incorporation permitting it to extend the period in which it is able to complete a business combination until the expiration of the 24-month period from the consummation of its initial public offering, or August 30, 2008.

On March 21, 2008, Marathon entered into the merger agreement with GSL Holdings, CMA CGM and Global Ship Lease pursuant to which Marathon will merge with and into GSL Holdings, its newly-formed, wholly owned Marshall Islands subsidiary, and then Global Ship Lease will merge with and into GSL Holdings, with GSL Holdings continuing as the surviving company incorporated in the Republic of the Marshall Islands and to be renamed Global Ship Lease, Inc. As a result of the Merger, each holder of a share of Marathon common stock issued and outstanding immediately prior to the effective time of the Merger will receive Class A common shares of GSL Holdings, except that Marathon Founders, LLC and other initial stockholders will receive an aggregate of 5,000,000 Class B common shares of GSL Holdings in lieu of an equal number of Class A common shares. CMA CGM will receive \$66,570,135 in cash, 7,844,600 Class A common shares of GSL Holdings, 5,000,000 Class B common shares of GSL Holdings, and 12,375,000 Class C common shares of GSL Holdings. The Merger is expected to be completed during the third quarter of 2008, pending stockholder and warrant holder approval and there can be no assurance that the business combination will be consummated. Please see The Merger Agreement.

**Subsequent Developments**

Immediately prior to the Merger, Global Ship Lease will enter into an amendment and restatement of the asset purchase agreement with CMA CGM and certain of its vessel-owning subsidiaries pursuant to which Global Ship Lease will purchase five additional vessels from CMA CGM with expected deliveries in December 2008 and July 2009 for an aggregate purchase price of \$437 million, of which \$99 million will be deemed to be prepaid by the consideration paid to CMA CGM in the Merger. Please see Other Transaction Agreements Asset Purchase Agreement and Acquisition of Initial and Contracted Fleet of Global Ship Lease Asset Purchase Agreement.

In connection with the Merger, GSL Holdings will enter into a stockholders agreement with CMA CGM and Marathon Founders, LLC, pursuant to which such shareholders will agree not to transfer any common shares of GSL Holdings (excluding common shares underlying the sponsor warrants or received with respect to Marathon securities purchased after Marathon initial public offering) prior to the first anniversary of the date of the Merger other than to affiliates or to the members of Marathon Founders, LLC who agree to be subject to such transfer restrictions. Please see Other Transaction Agreements Stockholders Agreement.

In connection with the Merger, GSL Holdings will enter into a registration rights agreement with CMA CGM, Marathon Investors, LLC, Marathon Founders, LLC and the other initial stockholders of Marathon.

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common stock (including Michael Gross), pursuant to which GSL Holdings will agree to register for resale on a registration statement under the Securities Act of 1933, as amended, and applicable state securities laws, the common shares to be issued to such shareholders pursuant to the Merger or upon exercise of warrants. Please see Other Transaction Agreements Registration Rights Agreement.

**Quantitative and Qualitative Disclosure About Market Risk**

To date, Marathon's efforts have been limited to organizational activities and activities relating to the identification of a target business; Marathon has neither engaged in any operations nor generated any revenues. As the proceeds from Marathon's initial public offering held in trust have been invested in short term investments, Marathon's only market risk exposure relates to fluctuations in interest rates.

As of March 31, 2008, approximately \$316.1 million (plus accrued interest of approximately \$0.5 million excluding approximately \$6.4 million of deferred underwriting discounts and commissions) was held in trust for the purposes of consummating a business combination. The proceeds held in trust (including approximately \$6.4 million of deferred underwriting discounts and commissions) have been invested in a money market fund that invests principally in short-term securities issued or guaranteed by the United States. As of March 31, 2008, the effective annualized interest rate payable on Marathon's investment was approximately 3.6%. Assuming no other changes to Marathon's holdings as of March 31, 2008, a 1% decrease in the underlying interest rate payable on Marathon's investment as of March 31, 2008 would result in a decrease of approximately \$791,032 in the interest earned on Marathon's investment for the following 90-day period, and a corresponding decrease in its net increase in stockholders' equity resulting from operations, if any, for that period.

Marathon has not engaged in any hedging activities since its inception on April 27, 2006. Marathon does not expect to engage in any hedging activities with respect to the market risk to which it is exposed.

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**MARATHON BUSINESS**

**General**

Marathon was formed on April 27, 2006 as a blank check company for the purpose of acquiring, through a merger, stock exchange, asset acquisition, reorganization or similar business combination, one or more operating businesses.

On August 30, 2006, Marathon consummated its initial public offering of 37,500,000 units, each consisting of one share of common stock and one warrant exercisable for an additional share of common stock at an exercise price of \$6.00 per warrant, and received proceeds of approximately \$279,000,000, net of underwriting discounts and commissions of approximately \$21,000,000 (including approximately \$6,000,000 of deferred underwriting discounts and commissions placed in a trust account pending completion of a business combination). In addition, on September 22, 2006 the underwriters for Marathon's initial public offering exercised their over-allotment option, which closed on September 27, 2006, generating proceeds of approximately \$18,867,000, net of underwriting discounts and commissions of approximately \$1,420,000 (including approximately \$400,000 of deferred underwriting discounts and commissions placed in a trust account pending completion of a business combination). On August 30, 2006, Marathon also consummated a private placement of warrants, which it refers to as the sponsor warrants, to Marathon Investors, LLC, an entity owned and controlled by Marathon's chief executive officer for an aggregate purchase price of \$5,500,000, which proceeds were also placed in the trust account.

Approximately \$308.8 million of the proceeds of Marathon's initial public offering and the concurrent sale of the sponsor warrants (including deferred underwriting discounts and commissions of approximately \$6.4 million) was placed in a trust account subsequent to completion of Marathon's initial public offering.

**Effecting a Business Combination**

***General***

Marathon intends to utilize the cash proceeds of its initial public offering and the concurrent private placement of sponsor warrants, its capital stock, debt or a combination of these as the consideration to be paid in a business combination. While substantially all of the net proceeds of its initial public offering and the concurrent private placement of sponsor warrants are allocated to completing a business combination, the proceeds are not otherwise designated for more specific purposes, other than as discussed below. If Marathon engages in a business combination with a target business using Marathon's capital stock and/or debt financing as the consideration to fund the combination, proceeds from Marathon's initial public offering and the concurrent private placement of sponsor warrants will then be used to undertake additional acquisitions or to fund the operations of the target business on a post-combination basis. Marathon may engage in a business combination with a company that does not require significant additional capital but is seeking a public trading market for its shares, and which wants to merge with an already public company to avoid the uncertainties associated with undertaking its own public offering. These uncertainties include time delays, compliance and governance issues, significant expense, a possible loss of voting control, and the risk that market conditions will not be favorable for an initial public offering at the time the offering is ready to be sold. Marathon may seek to effect a business combination with more than one target business, although Marathon's limited resources may serve as a practical limitation on its ability to do so.

***Fair market value of target business or businesses***

The initial target business or businesses with which Marathon combines must have a collective fair market value equal to at least 80% of the balance in the trust account (excluding deferred underwriting discounts and commissions of approximately \$6.4 million) at the time of such business combination. Notwithstanding such fact, Marathon may seek to consummate a business combination with an initial target business or businesses with a collective fair market value in excess of 80% of the balance in the trust account.

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Based on the determinations of Marathon's board of directors and in conjunction with Jefferies' conclusion in their fairness opinion presented to the board, the Global Ship Lease transaction satisfies the 80% test and the consideration being paid in the Merger is fair to Marathon from a financial point of view.

### ***Opportunity for stockholder approval of business combination***

In connection with the vote required for any business combination, Marathon's initial stockholders have agreed to vote their respective shares of common stock acquired by them prior to their initial public offering in accordance with the majority of the shares of common stock voted by the public stockholders. Marathon's initial stockholders and Marathon Investors, LLC have also agreed that they will vote any shares they purchase in the open market in or after the initial public offering in favor of a business combination. Marathon will proceed with the business combination only if a majority of the shares of common stock voted by the public stockholders are voted in favor of the business combination and public stockholders owning less than 20% of the shares sold in the initial public offering exercise their conversion rights. Voting against the business combination alone will not result in conversion of a stockholder's shares into a pro rata share of the trust account. To do so, a stockholder must have also exercised the conversion rights described below.

### ***Conversion rights***

At the time Marathon seeks stockholder approval of any business combination, Marathon will offer each public stockholder the right to have such stockholder's shares of common stock converted to cash if the stockholder votes against the business combination and the business combination is approved and completed. The actual per share conversion price, which Marathon refers to as the Conversion Price, will be equal to the aggregate amount then on deposit in the trust account, before payment of deferred underwriting discounts and commissions and including accrued interest, net of any income taxes on such interest, which shall be paid from the trust account, and net of interest income of \$3.9 million previously released to Marathon to fund working capital requirements (subject to the tax holdback) (calculated as of two business days prior to the consummation of the Merger), divided by the number of shares sold in the initial public offering. The Conversion Price, based upon the proceeds of Marathon's initial public offering and the concurrent private place of the sponsor warrants placed in the trust account, without taking into account interest earned on the trust account subsequent to Marathon's initial public offering, would be less than the per-unit offering price of \$8.00 in Marathon's initial public offering.

In connection with the vote required for any business combination, Marathon's initial stockholders have agreed to vote their respective shares of common stock acquired by them prior to Marathon's initial public offering in accordance with the majority of the shares of common stock voted by the public stockholders. Marathon's initial stockholders and Marathon Investors, LLC have also agreed that they will vote any shares they purchase in the open market in or after Marathon's initial public offering in favor of a business combination. As a result, Marathon's initial stockholders and Marathon Investors, LLC will not be able to exercise conversion rights with respect to shares acquired by them before, in or after Marathon's initial public offering.

An eligible stockholder may request conversion at any time after the mailing to Marathon's stockholders of the proxy statement and prior to the vote taken with respect to a proposed business combination at a meeting held for that purpose, but the request will not be granted unless the stockholder votes against the business combination and the business combination is approved and completed. If a stockholder votes against the business combination but fails to properly exercise its conversion rights, such stockholder will not have its shares of common stock converted to its pro rata distribution of the trust account. Any request for conversion, once made, may be withdrawn at any time up to the date of the meeting. It is anticipated that the funds to be distributed to stockholders entitled to convert their shares who elect conversion will be distributed promptly after completion of a business combination. Public stockholders who convert their stock into their share of the trust account will still have the right to exercise the warrants that they received as part of the units. Marathon will not complete its

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proposed initial business combination if public stockholders owning 20% or more of the shares sold in its initial public offering exercise their conversion rights. For specific instructions regarding share conversions, please see Special Meeting of Marathon Stockholders Conversion Rights.

If the initial business combination is not approved or completed for any reason, then public stockholders voting against Marathon's initial business combination will not be entitled to convert their shares of common stock into a pro rata share of the aggregate amount then on deposit in the trust account. Such public stockholders would only be entitled to their pro rata share of the aggregate amount on deposit in the trust account in the event that such stockholders elect to vote against a subsequent business combination which is approved by stockholders and completed, or in connection with Marathon's dissolution and liquidation.

Since the Conversion Price, based upon the proceeds of Marathon's initial public offering and the concurrent private placement of the sponsor warrants placed in the trust account, without taking into account interest earned on the trust account subsequent to Marathon's initial public offering, would be lower than the \$8.00 per unit offering price in Marathon's initial public offering, and may be less than the market price of the common stock on the date of conversion, there may be a disincentive on the part of public stockholders to exercise their conversion rights.

### ***Liquidation if no business combination***

If Marathon is unable to complete a business combination by August 30, 2008, it will take all necessary actions to dissolve and liquidate as expeditiously as possible. As required under Delaware law, Marathon will seek stockholder approval for any such plan of dissolution and liquidation. The initial stockholders have agreed to vote in favor of any such plan of dissolution and liquidation in these circumstances. Upon the approval by Marathon's stockholders of Marathon's plan of dissolution and liquidation, Marathon will liquidate its assets, including the trust account, and after reserving amounts from the interest earned on the trust account available to it as working capital requirements to cover the costs of dissolution and liquidation, distribute those assets solely to its public stockholders. Agreements with the initial stockholders do not permit them to participate in any liquidation distribution occurring upon Marathon's failure to consummate a business combination with respect to those shares of common stock acquired by them before Marathon's initial public offering. They will participate in any liquidation distribution with respect to any shares of common stock acquired in connection with or following Marathon's initial public offering. There will be no distribution from Marathon's trust account with respect to its warrants, and all rights with respect to its warrants will effectively cease upon Marathon's liquidation. Upon notice from Marathon, the trustee of the trust account will commence liquidating the investments constituting the trust account and will turn over the proceeds to Marathon's transfer agent for distribution to Marathon's public stockholders.

Under Delaware law, creditors of a corporation have a superior right to stockholders in the distribution of assets upon dissolution. Consequently, if the trust account is dissolved and paid out prior to all creditors being paid on their claims, stockholders may be held liable for claims by third parties against Marathon to the extent of distributions received by them in a dissolution.

Marathon expects that all costs associated with implementing its plan of dissolution and liquidation as well as payments to any creditors will be funded from the interest on the trust account available to Marathon as working capital. If such funds are insufficient to cover the costs of Marathon's dissolution and liquidation, Mr. Gross has agreed to indemnify Marathon for Marathon's out-of-pocket costs associated with such dissolution and liquidation, excluding any special, indirect or consequential costs, such as litigation, pertaining to such dissolution and liquidation. Marathon estimates that its total costs and expenses for implementing and completing its stockholder-approved plan of dissolution and liquidation will be in the range of \$50,000 to \$75,000. This amount includes all costs and expenses relating to filing of Marathon's dissolution in the State of Delaware, the winding up of the company and the costs of a proxy statement and meeting relating to the approval by its stockholders of its plan of dissolution and liquidation.

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Marathon's public stockholders shall be entitled to receive funds from the trust account only in the event of Marathon's liquidation or if the stockholders seek to convert their respective shares into cash upon a business combination which the stockholder voted against and which is actually completed by Marathon. In no other circumstances shall a stockholder have any right or interest of any kind to or in the trust account.

### **Administrative Services Agreement**

Marathon has agreed to pay Marathon Management, LLC, an entity owned and controlled by Mr. Gross, a total of \$7,500 per month for office space, administrative services and secretarial support. Mr. Gross is Marathon's chairman and chief executive officer. This arrangement was agreed to by Marathon and Marathon Management, LLC for Marathon's benefit and is not intended to provide Mr. Gross compensation in lieu of a salary or other remuneration because it is anticipated that the expenses to be paid by Marathon Management, LLC will approximate the monthly reimbursement. Marathon believes that such fees are at least as favorable as it could have obtained from an unaffiliated person. Upon completion of a business combination or Marathon's liquidation, Marathon will cease paying these monthly fees.

### **Facilities**

Marathon currently maintains its executive offices at, 500 Park Avenue, 5th Floor, New York, New York. The cost of this space is included in the \$7,500 per-month fee described above that Marathon Management, LLC charges Marathon for general and administrative services. Marathon believes, based on rents and fees for similar services in the New York City metropolitan area that the fee charged by Marathon Management, LLC is at least as favorable as Marathon could have obtained from an unaffiliated person. Marathon considers its current office space adequate for its current operations.

### **Employees**

Marathon currently has one officer, Mr. Gross. This individual is not obligated to devote any specific number of hours to Marathon's business and intends to devote only as much time as he deems necessary to Marathon's business. Marathon does not intend to have any full-time employees prior to the consummation of a business combination.

### **Legal Proceedings**

Marathon is not currently subject to any material legal proceedings, nor, to its knowledge, is any material legal proceeding threatened against it. From time to time, Marathon may be a party to certain legal proceedings incidental to the normal course of its business. While the outcome of these legal proceedings cannot be predicted with certainty, Marathon does not expect that these proceedings will have a material effect upon its financial condition or results of operations.

**Table of Contents****DIRECTORS, EXECUTIVE OFFICERS, EXECUTIVE COMPENSATION****AND CORPORATE GOVERNANCE****Directors**

Certain information, with respect to each of the current directors of Marathon is set forth below, including their names, ages, a brief description of their recent business experience, including present occupations and employment, certain directorships that each person holds, and the year in which each person became a director. Pursuant to the merger agreement, in addition to Mr. Gross, Marathon has identified certain of the members of the board of directors of GSL Holdings who are expected to be appointed upon the closing of the Merger.

The business address of each director listed below unless otherwise noted is 500 Park Avenue, 5<sup>th</sup> Floor, New York, New York, 10022.

***Directors of Marathon***

| <b>Name</b>       | <b>Age</b> | <b>Position</b>                                 | <b>Year Appointed/Elected</b> |
|-------------------|------------|---|-------------------------------|
| Michael S. Gross* | 46         | Chairman, Chief Executive Officer and Secretary | 2006                          |
| Adam Aron*        | 53         | Director  | 2006                          |
| Irwin D. Simon*   | 49         | Director  | 2006                          |
| Robert Sheft*     | 46         | Director  | 2006                          |

\* These individuals will resign upon the completion of the Merger.

**Michael S. Gross** has been the chairman of Marathon's board of directors, chief executive officer and secretary since its inception in April 2006. Mr. Gross is a member of the board of GSL Holdings. Since July 2006, Mr. Gross has been co-chairman of the investment committee of Magnetar Financial LLC, an investment manager, and a senior partner in Magnetar Capital Partners LP, the holding company for Magnetar Financial LLC. Since March 2007, Mr. Gross has served as the chairman, chief executive officer and managing member of Solar Capital, LLC. In such capacities, Mr. Gross heads Magnetar Financial LLC's credit and private investment business. Between February 2004 and February 2006, Mr. Gross was the president and chief executive officer of Apollo Investment Corporation, a publicly traded business development company that he founded and on whose board of directors and investment committee he served as chairman from February 2004 to July 2006, and was the managing partner of Apollo Investment Management, L.P., the investment adviser to Apollo Investment Corporation. From 1990 to February 2006, Mr. Gross was a senior partner at Apollo Management, L.P., a private equity firm which he founded in 1990 with five other persons. In addition, from 2003 to February 2006, Mr. Gross was the managing partner of Apollo Distressed Investment Fund, an investment fund he founded to invest principally in non-control oriented distressed debt and other investment securities of leveraged companies. Mr. Gross currently serves on the boards of directors of Saks, Inc., United Rentals, Inc., Alternative Asset Management Acquisition Corp. and Jarden Corporation.

**Adam Aron** has been a director of Marathon since May 2006. Mr. Aron currently serves as the chairman and chief executive officer of World Leisure Partners, a personal consulting company, whose principal client is Apollo Management L.P. Mr. Aron was chairman of the board of directors and chief executive officer of Vail Resorts, Inc. from July 1996 to February 2006. Vail Resorts owns and operates Vail, Beaver Creek, Breckenridge, Keystone and Heavenly ski resorts in Colorado and California; the Grand Teton Lodge Company in Jackson Hole, Wyoming; the RockResorts collection of luxury resort hotels throughout the United States; and a real estate business. Mr. Aron previously served as president and chief executive officer of Norwegian Cruise Line, senior vice president of marketing for United Airlines and senior vice president-marketing for Hyatt Hotels and Resorts. In addition to serving on Marathon's board of directors, Mr. Aron serves on the board of directors of Starwood Hotels and Resorts Worldwide, FTD Group, Inc. and Rewards Network Inc. He also serves on the

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board of directors of numerous non-profit organizations and is co-chairman of the National Finance Committee of the Washington, D.C.-based Democratic Senatorial Campaign Committee, and a member of the Council on Foreign Relations and Business Executives for National Security.

**Irwin D. Simon** has been a director of Marathon since June 2006. Mr. Simon founded The Hain Celestial Group, Inc. and has been its president and chief executive officer and a director since its inception. Mr. Simon was appointed chairman of the board of directors of Hain Celestial in April 2000. Previously, Mr. Simon was employed in various marketing capacities at Slim-Fast Foods Company and The Haagen-Dazs Company, a division of Grand Metropolitan, plc. Mr. Simon serves as lead director of Jarden Corporation, an independent non-executive director of Yeo Hiap Seng Limited and as a director of several privately-held companies. Mr. Simon is the past chapter chairman of YPO Gotham Chapter, New York City.

**Robert Sheft** has been a director of Marathon since July 2006. Mr. Sheft is the founder, president and chief executive officer of Simply Floored LLC, a flooring company offering shop-at-home services. From 1997 to 2003, Mr. Sheft was the president and chief executive officer of RMA Home Services, Inc., a company which he founded that exclusively managed The Home Depot, Inc.'s installed siding and window business. In 2003, RMA Home Services, Inc. was acquired by The Home Depot, Inc. From 1991 to 1997, Mr. Sheft was engaged in merchant banking at a number of mid-sized regional firms. From 1987 to 1990, Mr. Sheft was a lawyer at Skadden, Arps, Slate, Meagher & Flom LLP where he focused primarily on mergers and acquisitions. On April 9, 2007, Mr. Sheft joined Roark Capital Group, a private equity firm based in Atlanta, as managing director. Mr. Sheft has served on the board of directors of a number of privately held companies and is currently a trustee of Pace Academy in Atlanta, Georgia.

**Directors of GSL Holdings**

| Name              | Age | Position | Appointed/ Elected |
|-------------------|-----|----------|--------------------|
| Michael S. Gross  | 46  | Director | 2008               |
| Howard Boyd       | 64  | Director | 2008               |
| Angus R. Frew     | 49  | Director | 2008               |
| Guy Morel         | 59  | Director | 2008               |
| Jeffrey D. Pribor | 50  | Director | 2008               |

**Howard Boyd** is expected to be named as a director of GSL Holdings. In 1996, Mr. Boyd was named chief executive officer of Safmarine, a container liner operator based in Antwerp, which was purchased by AP Moller-Maersk in 1999. Mr. Boyd took a leading role in the takeover and continued as chief executive officer of the separate Safmarine entity until his retirement in 2004. His career with Safmarine began in 1970 when he joined as a tanker accountant. Mr. Boyd held a variety of positions with Safmarine, including financial controller, USA trade executive, chief operating officer of the bulk division and bulk director. He became a member of the Safmarine board of directors in 1998. Since 2004, Mr. Boyd has been a consultant to AP Moller-Maersk, continuing as a director of Safmarine and sitting on the Audit and Remuneration Committees. Mr. Boyd has a Bachelor of Commerce from University of Cape Town and qualified as a South African Chartered Accountant.

**Angus R. Frew** is expected to be named as a director of GSL Holdings. Mr. Frew was president and chief executive officer from 2003 until early 2008 of GE SeaCo SRL, a joint venture between GE Capital and Sea Containers Ltd and one of the largest global container leasing companies. Mr. Frew was a director of the Institute of International Container Lessors from 2003 until early 2008, serving as chairman in 2004, and a director of the Container Owners Association from 2007 to early 2008. Mr. Frew was an officer of Sea Containers Ltd from 2003 to 2005 and senior vice president of its container division. From 1990 to 2002, Mr. Frew held senior management positions in the beverages industry with Grand Metropolitan Plc, Diageo Plc and The Seagram Company Ltd. After qualifying as a British Chartered Accountant in 1983, Mr. Frew held senior financial positions in a number of small entrepreneurial businesses in the IT consultancy, design and retail industries. Mr. Frew has an honours degree in chemistry from the University of Durham.

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**Guy Morel** is expected to be named as a director of GSL Holdings. Mr. Morel is the general secretary of InterManager, the International Association of Shipmanagers. From 2005 to 2007, he was a professor of corporate finance and director of development at the International University of Monaco. From 1993 to 2004, he was the president and chief operating officer of MC Shipping Inc, a company quoted on the American Stock Exchange, and involved in the ownership and time chartering of containerships and LPG carriers. Between 1979 and 1993, Mr. Morel was one of the founders, a director and a shareholder of V.Ships Inc., a leading shipmanagement group, where he was a vice president in charge of strategic planning and marketing. Prior to 1979, he was a consultant with Data Resources Inc., an American consulting group involved in econometric modeling and economic forecasting. Mr. Morel holds a Bachelor's Degree in civil engineering from Ecole Centrale de Paris and an MBA from Harvard Business School.

**Jeffrey D. Pribor** is expected to be named as a director of GSL Holdings. Mr. Pribor is currently executive vice president and the chief financial officer of General Maritime Corporation. Prior to that, from 2002 to 2004, Mr. Pribor was managing director and president of DnB NOR Markets, Inc., the U.S. investment banking division of DnB NOR Bank ASA, responsible for mergers and acquisitions, strategic advisory services and U.S. capital market activities for the bank's shipping, offshore, logistics and energy clients. From 2001 to 2002, Mr. Pribor was managing director and group head of transportation banking at ABN AMRO, Inc. where he was responsible for all commercial and investment banking activities for shipping and other transportation companies in North America. From 1996 to 2001, Mr. Pribor was managing director and sector head of transportation and logistics investment banking for ING Barings. He also worked for over 10 years in the mergers and acquisitions group at Merrill Lynch, and as an attorney in the corporate and banking law practice of Milbank, Tweed, Hadley and McCloy. Mr. Pribor holds a B.A. from Yale University and a J.D. and an M.B.A. from Columbia University.

**Executive Officers**

**Ian J. Webber** was appointed Global Ship Lease's Chief Executive Officer in June of 2007. Upon the completion of the Merger, Mr. Webber will become the Chief Executive Officer of GSL Holdings. From 1979 to 1996, Mr. Webber worked for Pricewaterhouse, the last five years of which he was a partner. From 1996 to 2006, Mr. Webber served as the Chief Financial Officer and a director of CP Ships Limited, a subsidiary of Canadian Pacific Limited until 2001 and thereafter a public company listed on the New York and Toronto stock exchanges until its acquisition by TUI A.G. in 2005. Mr. Webber is a graduate of Cambridge University.

Mr. Webber was named, along with his former employer CP Ships Limited and other officers of that company, as a defendant in a securities class action case before the United States District Court for the Middle District of Florida (the Court). The consolidated amended class action complaint alleged violations of Section 10(b) and Rule 10b-5 of the Exchange Act against all defendants and Section 20(a) of the Exchange Act against the individual defendants. The parties have reached an agreement to settle this class action proceeding in its entirety, pending approval by the Court. Under the proposed terms of the settlement, Mr. Webber denies all wrongdoing and will be fully released from any liability in this matter. The settlement has been preliminarily approved by the Court and a final approval hearing is expected to occur on October 2, 2008. Mr. Webber was also named, along with CP Ships Limited and several of its officers and directors, as a defendant in a purported securities class action pending in Canada. That action, which alleges similar claims to those raised in the United States securities class action case, is ongoing.

**Susan J. Cook** was appointed Global Ship Lease's Chief Financial Officer in August of 2007. Upon the completion of the Merger, Ms. Cook will become the Chief Financial Officer of GSL Holdings. From 1986 to 2006, Ms. Cook worked for The Peninsular and Oriental Steam Navigation Company and served as Group Head of Specialized Finance from 2003 to 2006, Head of Structured Finance from 1999 to 2003, Deputy Group Treasurer from 1994 to 1999 and Treasury Manager from 1989 to 1993. She is a Chartered Management Accountant and a member of the Association of Corporate Treasurers. Ms. Cook graduated from Brunel University and received a Master of Science from Oxford University.

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*Thomas A. Lister* was appointed Global Ship Lease's Chief Commercial Officer effective in February 2008. Upon the completion of the Merger, Mr. Lister will become the Chief Commercial Officer of GSL Holdings. From 2005 until 2007, Mr. Lister was Senior Vice President at DVB Group Merchant Bank (Asia) Ltd, responsible for developing DVB's Singapore ship fund and leasing project. Before that, from 2004 to 2005, he worked for the German KG financier and ship owning group Nordcapital as Director of Business Development. From 1991 to 2002, Mr. Lister worked for a number of shipping companies in both South America and the United States. Mr. Lister graduated from Durham University and holds an MBA from INSEAD.

### **Terms of Office of Directors of GSL Holdings**

GSL Holdings' board of directors is divided into three classes with only one class of directors being elected in each year and each class serving a three-year term. The term of office of the first class of directors, consisting of Mr. Morel and Mr. Pribor, expires at the first annual meeting of stockholders. The term of office of the second class of directors, consisting of Mr. Boyd and Mr. Frew, expires at the second annual meeting of stockholders. The term of office of the third class of directors, consisting of Mr. Gross, expires at the third annual meeting of stockholders.

### **Executive Compensation of Marathon Prior to the Merger**

Members of Marathon's management team, including its directors, have not received any cash or other compensation for services rendered to Marathon to date. Commencing on August 24, 2006 through the acquisition of a target business, Marathon has agreed to pay Marathon Management, LLC, an entity owned and controlled by Mr. Gross, a total of \$7,500 per month for office space and administrative services, including secretarial support. This arrangement was agreed to by Marathon Management, LLC for Marathon's benefit and is not intended to provide Mr. Gross compensation in lieu of a salary. Marathon believes that such fees are at least as favorable as Marathon could have obtained from an unaffiliated third party. No other director has a relationship with or interest in Marathon Management, LLC. For the year ended December 31, 2007, Marathon paid Marathon Management, LLC a total of \$90,000 pursuant to this arrangement.

Other than this \$7,500 per-month fee, no compensation of any kind, including finder's and consulting fees, will be paid to any members of Marathon's management team, or any of their respective affiliates, for services rendered prior to or in connection with a business combination. However, these individuals will be reimbursed for any out-of-pocket expenses incurred in connection with activities on Marathon's behalf such as identifying potential target businesses and performing due diligence on suitable business combinations. After a business combination, members of Marathon's management team, including Marathon's directors, who remain with Marathon may be paid consulting, management or other fees from the combined company with any and all amounts being fully disclosed to stockholders, to the extent then known, in the proxy solicitation materials furnished to Marathon's stockholders. It is unlikely the amount of such compensation will be known at the time of a stockholder meeting held to consider a business combination, as it will be up to the directors of the post-combination business to determine executive and director compensation.

### **Employment Agreements and Executive Compensation of Global Ship Lease**

Global Ship Lease Services Limited, Global Ship Lease's wholly owned subsidiary, expects to enter into an employment agreement with Mr. Webber and, pursuant to the terms of an inter-company agreement between Global Ship Lease and Global Ship Lease Services Limited, Mr. Webber will serve as Global Ship Lease's Chief Executive Officer. Pursuant to his employment agreement, Mr. Webber will receive an annual salary of £250,000 and will be eligible to receive a bonus payment up to an annual maximum of 50% of his salary at the discretion of Global Ship Lease Services Limited.

The agreement will be terminable by Mr. Webber if he provides not less than six months advance written notice to Global Ship Lease Services Limited, or by Global Ship Lease Services Limited if it provides not less than 12 months advance written notice to him (subject to exceptions in the case of summary termination). Global Ship Lease Services Limited will have the right to terminate Mr. Webber at any time and in its absolute

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discretion by paying Mr. Webber a sum equal to his salary and contractual benefits for the relevant period of notice. If Mr. Webber terminates his employment agreement for good reason following a change of control (each as defined in the employment agreement) he will be entitled to receive payment in lieu of salary and contractual benefits for the 12 month notice period, together with any accrued but unpaid bonus.

The agreement will also provide that, during his employment or for a period of one year thereafter, Mr. Webber will not, among other actions, solicit or attempt to solicit certain employees or certain customers of Global Ship Lease (or one of its group companies) or be involved in any relevant business in competition with Global Ship Lease (or one of its group companies).

Global Ship Lease Services Limited also expects to enter into an employment agreement with Ms. Cook and, pursuant to the inter-company agreement, Ms. Cook will serve as its Chief Financial Officer. Pursuant to her employment agreement, Ms. Cook will receive an annual salary of £135,000 and will be eligible to receive a bonus payment up to an annual maximum of 25% of her salary at the discretion of Global Ship Lease Services Limited.

The agreement will be terminable by Ms. Cook if she provides not less than six months advance written notice to Global Ship Lease Services Limited, or by Global Ship Lease Services Limited if it provides not less than nine months advance written notice to her (subject to exceptions in the case of summary termination). Pursuant to the terms of her employment agreement, Global Ship Lease Services Limited will have the right to terminate Ms. Cook at any time and in its absolute discretion by paying Ms. Cook a sum equal to her salary and contractual benefits for the relevant period of notice. If Ms. Cook terminates her employment agreement for good reason following a change of control (each as defined in the employment agreement) she will be entitled to receive payment in lieu of salary and contractual benefits for the nine-month notice period, together with any accrued but unpaid bonus.

The agreement will also provide that, during her employment or for a period of one year thereafter, Ms. Cook, will not, among other actions, solicit or attempt to solicit certain employees or certain customers of Global Ship Lease (or one of its group companies) or be involved in any relevant business in competition with Global Ship Lease (or one of its group companies).

Global Ship Lease Services Limited expects to enter into an employment agreement with Mr. Lister and, pursuant to the inter-company agreement, Mr. Lister will serve as its Chief Commercial Officer. Pursuant to his employment agreement, Mr. Lister will receive an annual salary of £135,000 and will be eligible to receive a bonus payment up to an annual maximum of 25% of his salary at the discretion of Global Ship Lease Services Limited. In addition, Mr. Lister will receive a one-time signing bonus of £35,000.

The agreement will be terminable by Mr. Lister if he provides not less than three months advance written notice to Global Ship Lease Services Limited, or by Global Ship Lease Services Limited if it provides not less than six months advance written notice to him (subject to exceptions in the case of summary termination). Pursuant to the terms of his employment agreement, Global Ship Lease Services Limited will have the right to terminate Mr. Lister at any time and in its absolute discretion by paying him a sum equal to his salary and contractual benefits for the relevant period of notice. If Mr. Lister terminates his employment agreement for good reason following a change of control (each as defined in the employment agreement) he will be entitled to receive payment in lieu of salary and contractual benefits for the six-month notice period, together with any accrued but unpaid bonus.

The agreement will also provide that, during his employment or for a period of six months thereafter, Mr. Lister, will not, among other actions, solicit or attempt to solicit certain employees or its certain customers of Global Ship Lease (or one of its group companies) or be involved in any relevant business in competition with Global Ship Lease (or one of its group companies).

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### **Compensation of Directors of GSL Holdings**

The chairman of the GSL Holdings board of directors (who has not yet been identified) is expected to receive an annual fee of \$150,000, consisting of \$75,000 in cash and an annual restricted stock grant with a grant date value of \$75,000. The other directors of GSL Holdings (including Mr. Gross) are expected to receive an annual fee of \$100,000, consisting of \$50,000 in cash and an annual restricted stock grant with a grant date value of \$50,000. In addition, each director will be reimbursed for out-of-pocket expenses in connection with attending meetings of the board of directors or committees.

### **2008 Equity Incentive Plan**

GSL Holdings will adopt the 2008 Equity Incentive Plan (the Plan), which will entitle employees, consultants and directors of GSL Holdings and its subsidiaries to receive options, stock appreciation rights, stock grants, stock units and dividend equivalents. The following description of the Plan is a summary of the material terms of the Plan.

The Plan will be administered by the board of directors of GSL Holdings or a committee of the board of directors. Subject to adjustment as provided below, the maximum aggregate number of Class A common shares that may be delivered pursuant to awards granted under the Plan during the 10-year term of the Plan is 1,500,000. The maximum number of Class A common shares with respect to which awards may be granted to any participant in the Plan in any fiscal year is 500,000 per participant. If an award granted under the Plan is forfeited, or otherwise expires, terminates or is canceled without the delivery of shares, then the shares covered by such award will again be available to be delivered pursuant to other awards under the Plan.

In the event that GSL Holdings is subject to a change of control, the Plan administrator in its discretion may make such adjustments and other substitutions to the Plan and outstanding awards under the Plan as it deems equitable or desirable in its sole discretion.

The exercise price for options cannot be less than 100% of the fair market value on the date of grant. The maximum term of each stock option agreement shall not exceed 10 years from the date of the grant.

Stock appreciation rights, or SARs, may provide for a maximum limit on the amount of any payout notwithstanding the fair market value on the date of exercise of the SAR. The exercise price of a SAR shall not be less than 100% of the fair market value on the date of grant. The SAR Agreement shall also specify the maximum term of the SAR which shall not exceed 10 years from the date of grant.

Stock grants may be issued with or without cash consideration under the Plan. The holder of a stock grant awarded under the Plan shall have the same voting, dividend and other rights as the Company's other Class A common shareholders. The Plan administrator may provide a participant who holds stock grants with dividends or dividend equivalents payable in cash, Class A common shares or other property.

Settlement of vested stock units may be in the form of cash, shares or any combination of both, as determined by the Plan administrator at the time of the grant of the stock units. Methods of converting stock units into cash may include (without limitation) a method based on the average fair market value of shares over a series of trading days. The holders of stock units shall have no voting rights.

Subject to the provisions of the Plan, awards granted under the Plan may include dividend equivalents. The Plan administrator may determine the amounts, terms and conditions of any such awards provided that they comply with applicable laws.

The Plan will be effective as of the closing of the Merger. No award may be granted under the Plan after the tenth anniversary of the date of shareholder approval of the Plan.

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The GSL Holdings board of directors plans to authorize the grant of 375,000 restricted shares to Mr. Webber, 202,500 restricted shares to Ms. Cook and 202,500 restricted shares to Mr. Lister under the Plan, which are expected to vest over a three-year period.

### **Compensation Discussion and Analysis**

Marathon has not included a compensation discussion and analysis, as members of its management team, including its directors, have not received any cash or other compensation for services rendered to it during the year ended December 31, 2007.

### **Director Independence**

Marathon's board of directors has determined that Messrs. Aron, Simon and Sheft are independent directors as such term is defined in Rule 10A-3 of the Exchange Act and the rules of the AMEX.

### **Board Committees**

Marathon's board of directors has formed an audit committee, a compensation committee and a governance and nominating committee. Each committee is comprised of three directors. During 2007, Marathon's board of directors held four board meetings and four audit committee meetings. No meetings of the governance and nominating committee were held, as no new candidates have been sought for election to Marathon's board of directors subsequent to its initial public offering. In addition, no meetings of the compensation committee were held, as none of Marathon's executive officers or directors have received, or will receive, any cash or other compensation for services rendered to Marathon prior to its consummation of a business combination, other than pursuant to its arrangement with Marathon Management, LLC described below. All directors attended at least 75% of the aggregate number of meetings of the board and of the respective committees on which they served. Marathon requires each director to make a diligent effort to attend all board and committee meetings, as well as each annual or special meeting of stockholders.

#### ***Audit Committee***

Marathon's audit committee consists of Messrs. Aron, Simon and Sheft, each of whom is independent as defined in Rule 10A-3 of the Exchange Act and the rules of the AMEX. In addition, Marathon's board of directors has determined that Mr. Aron is an audit committee financial expert as that term is defined under Item 401 of Regulation S-K of the Securities Exchange Act of 1934, as amended. The responsibilities of Marathon's audit committee include:

meeting with Marathon's management periodically to consider the adequacy of Marathon's internal control over financial reporting and the objectivity of Marathon's financial reporting;

appointing the independent registered public accounting firm, determining the compensation of the independent registered public accounting firm and pre-approving the engagement of the independent registered public accounting firm for audit and non-audit services;

overseeing the independent registered public accounting firm, including reviewing independence and quality control procedures and experience and qualifications of audit personnel that are providing audit services for Marathon;

meeting with the independent registered public accounting firm and reviewing the scope and significant findings of the audits performed by them, and meeting with management and internal financial personnel regarding these matters;

reviewing Marathon's financing plans, the adequacy and sufficiency of Marathon's financial and accounting controls, practices and procedures, the activities and recommendations of the auditors and Marathon's reporting policies and practices, and reporting recommendations to Marathon's full board of directors for approval;



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establishing procedures for the receipt, retention and treatment of complaints regarding internal accounting controls or auditing matters and the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters;

preparing the report required by the rules of the SEC to be included in Marathon's annual proxy statement; and

reviewing and approving all expense reimbursements made to members of Marathon's management team; any expense reimbursements payable to members of Marathon's audit committee will be reviewed and approved by Marathon's board of directors, with the interested director or directors abstaining from such review and approval.

### *Financial Experts on Audit Committee*

The audit committee will at all times be composed exclusively of independent directors who, as required by the AMEX listing standards, are able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement.

In addition, Marathon must certify to the AMEX that the committee has, and will continue to have, at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that results in the individual's financial sophistication. The board of directors has determined that Mr. Aron satisfies the AMEX's definition of financial sophistication and also qualifies as an audit committee financial expert, as defined under rules and regulations of the Securities and Exchange Commission.

### *Compensation Committee*

Marathon's compensation committee consists of Messrs. Aron, Simon and Sheft, each of whom is independent as defined in the rules of the AMEX. The functions of Marathon's compensation committee include:

establishing overall employee compensation policies and recommending to Marathon's board of directors major compensation programs;

subsequent to Marathon's consummation of a business combination, reviewing and approving the compensation of Marathon's officers and directors, including salary and bonus awards;

administering Marathon's various employee benefit, pension and equity incentive programs;

reviewing officer and director indemnification and insurance matters; and

preparing an annual report on executive compensation for inclusion in Marathon's proxy statement.

Marathon's compensation committee does not currently have a charter or written policy with regard to the processes and procedures for the consideration and determination of executive and director compensation, as Marathon's executive officers and directors have not received, and will not receive, any cash or other compensation for services rendered to Marathon prior to its consummation of a business combination, other than pursuant to Marathon's arrangement with Marathon Management, LLC, an entity owned and controlled by Mr. Gross, pursuant to which Marathon has agreed to pay a total of \$7,500 per month for office space and administrative services, including secretarial support, until Marathon has consummated a business combination. This arrangement was agreed to by Marathon Management, LLC for Marathon's benefit and is not intended to provide Mr. Gross compensation in lieu of a salary. Marathon believes that such fees are at least as favorable as Marathon could have obtained from an unaffiliated third party. No other director has a relationship with or interest in Marathon Management, LLC.



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### ***Governance and Nominating Committee***

Marathon's governance and nominating committee consists of Messrs. Aron, Simon and Sheft, each of whom is independent as defined in the rules of the AMEX. The functions of Marathon's governance and nominating committee include:

recommending qualified candidates for election to Marathon's board of directors;

evaluating and reviewing the performance of existing directors;

making recommendations to Marathon's board of directors regarding governance matters, including Marathon's certificate of incorporation, bylaws and charters of its committees; and

developing and recommending to Marathon's board of directors governance and nominating guidelines and principles applicable to Marathon.

The governance and nominating committee will consider qualified director nominees recommended by stockholders when such recommendations are submitted in accordance with Marathon's bylaws and any applicable law, rule or regulation regarding director nominations. When submitting a nomination to the governance and nominating committee for consideration, a stockholder must provide certain information that would be required under applicable Commission rules, including the following minimum information for each director nominee: full name, age and address; principal occupation during the past five years; current directorships on publicly held companies and investment companies; number of shares of Marathon's common stock owned, if any; and, a written consent of the individual to stand for election if nominated by the board of directors and to serve if elected by the stockholders.

In evaluating director nominees, Marathon's governance and nominating committee considers the following factors:

the appropriate size and composition of Marathon's board of directors;

whether or not the person would be an independent director within the meaning of Rule 10A-3 under the Exchange Act and the rules of the AMEX;

Marathon's needs with respect to the particular talents and experience of its directors;

the knowledge, skills and experience of nominees in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the board of directors;

familiarity with national and international business matters;

experience with accounting rules and practices;

appreciation of the relationship of Marathon's business to the changing needs of society;

the desire to balance the considerable benefit of continuity with the periodic injection of the fresh perspective provided by new members; and

all applicable laws, rules, regulations, and listing standards.

Marathon's board of directors' goal is to assemble a board of directors that brings a variety of perspectives and skills derived from high quality business and professional experience.

Other than the foregoing there are no stated minimum criteria for director nominees, although the governance and nominating committee may also consider such other factors as its members may deem are in the best interests of Marathon and its stockholders. The governance and nominating committee also believes it appropriate for certain key members of Marathon's management to participate as members of the board of directors.

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Marathon's governance and nominating committee identifies nominees by first evaluating the current members of the board of directors willing to continue in service. Current members of the board of directors with skills and experience that are relevant to Marathon's business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the board of directors with that of obtaining a new perspective. If any member of the board of directors does not wish to continue in service or if the board of directors decides not to re-nominate a member for re-election, the governance and nominating committee will identify the desired skills and experience of a new nominee in light of the criteria above. The entire board of directors is polled for suggestions as to individuals meeting the aforementioned criteria. Research may also be performed to identify qualified individuals. To date, Marathon has not engaged third parties to identify or evaluate or assist in identifying potential nominees although Marathon reserves the right in the future to retain a third party search firm, if necessary.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Pursuant to Section 16(a) of the Securities Act of 1934, Marathon's directors and executive officers, and any persons holding 10% or more of its common stock, are required to report their beneficial ownership and any changes therein to the Securities and Exchange Commission and Marathon. Specific due dates for those reports have been established, and Marathon is required to report herein any failure to file such reports by those due dates. Based on Marathon's review of Forms 3, 4 and 5 filed by such persons, Marathon believes that during the fiscal year ended December 31, 2007 all Section 16(a) filing requirements applicable to such persons were met in a timely manner.

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The following table sets forth information regarding the beneficial ownership of Marathon's common stock as of July 7, 2008, by:

each person known by Marathon, as a result of such person's public filings with the SEC and the information contained therein, to be the beneficial owner of more than 5% of Marathon's outstanding shares of common stock;

each of Marathon's officers and directors; and

all of Marathon's officers and directors as a group.

Unless otherwise indicated, Marathon believes that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them. The following table does not reflect record or beneficial ownership of the sponsor warrants or Marathon's other outstanding warrants, as the exercisability of the warrants is subject to a material condition not in the control of the warrant holders.

| Name  | Number of Shares | Percentage of Class <sup>(1)</sup> | Relationship to Marathon                                     |
|---|------------------|------------------------------------|--|
| Michael S. Gross <sup>(2)</sup>   | 11,225,000       | 22.7%                              | Chairman of the Board, Chief Executive Officer and Secretary |
| Adam Aron   | 50,000           | *                                  | Director   |
| Irwin D. Simon  | 50,000           | *                                  | Director   |
| Robert Sheft  | 50,000           | *                                  | Director   |
| Executive officers and directors as a group   | 11,375,000       | 23.0%                              |  |
| Soros Strategic Partners LP/<br>SFM Participation II, L.P./<br>SFM AH LLC/<br>Soros Fund Management LLC/<br>George Soros/Robert Soros/<br>Jonathan Soros <sup>(3)</sup><br>623 5 <sup>th</sup> Avenue<br>26 <sup>th</sup> Floor<br>New York, NY 10022 | 3,750,000        | 7.6%                               | Stockholder  |
| The Baupost Group, L.L.C./<br>SAK Corporation/Seth A. Klarman <sup>(4)</sup>  | 5,277,639        | 10.7%                              | Stockholder  |

10 St. James Avenue

Suite 2000

Boston, MA 02116

Satellite Fund II, L.P./Satellite Fund IV,

L.P./Satellite Overseas Fund, Ltd./

The Apogee Fund, Ltd./Satellite Overseas Fund V, Ltd./Satellite Overseas Fund VI, Ltd./

Satellite Overseas Fund VIII, Ltd./

Satellite Overseas Fund IX, Ltd./

Satellite Asset Management, L.P./

Satellite Fund Management LLC/

Satellite Advisers, L.L.C. <sup>(5)</sup>

623 Fifth Avenue

19<sup>th</sup> Floor

New York, NY 10022

3,405,017

6.9%

Stockholder

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| Name  | Number of Shares | Percentage of Class <sup>(1)</sup> | Relationship to Marathon |
|---|------------------|------------------------------------|--------------------------|
| Sapling, LLC/Fir Tree Capital Opportunity Master Fund, L.P./Fir Tree, Inc. <sup>(6)</sup> |                  |                                    |                          |
| 505 Fifth Avenue  |                  |                                    |                          |
| 23 <sup>rd</sup> Floor  |                  |                                    |                          |
| New York, NY 10017  | 4,474,800        | 9.1%                               | Stockholder              |
| Dorset Management Corporation/<br>David M. Knott <sup>(7)</sup>                           |                  |                                    |                          |
| 485 Underhill Boulevard, Suite 205  |                  |                                    |                          |
| Syosset, NY 11791   | 2,725,000        | 5.5%                               | Stockholder              |
| Oliveira Capital, LLC <sup>(8)</sup>  |                  |                                    |                          |
| 18 Fieldstone Court   |                  |                                    |                          |
| New City, NY 10956  | 2,650,000        | 5.4%                               | Stockholder              |
| Azimuth Opportunity, Ltd. <sup>(9)</sup>  |                  |                                    |                          |
| Qwomar Complex, 4 <sup>th</sup> Floor   |                  |                                    |                          |
| P.O. Box 3170   |                  |                                    |                          |
| Road Town, Tortola  |                  |                                    |                          |
| British Virgin Islands  | 3,576,000        | 7.2%                               | Stockholder              |

\* Represents less than one percent.

(1) Based on a total of 49,410,850 shares of Marathon's common stock issued and outstanding on June 19, 2008.

(2) Marathon Founders, LLC is the record holder of 9,225,000 shares. Marathon Founders, LLC is owned and controlled by Mr. Gross. As a result, Mr. Gross may be deemed to beneficially own the shares held by Marathon Founders, LLC. In addition, Marathon Investors, LLC, another entity owned and controlled by Mr. Gross, owns 5,500,000 sponsor warrants, which have been amended to be exercisable only on a cashless basis. On June 4, 2008, Mr. Gross entered into a stock purchase plan with Citi, in accordance with the guidelines of Rule 10b5-1 and the provisions of Rule 10b-18 of the Exchange Act, under which he placed a limit order to purchase up to two million shares of Marathon common stock at a price of \$8 per share or below.

Under this plan, 2,000,000 shares were purchased at prices between \$7.59 and \$7.87 with an average price of \$7.84 per share.

(3) Based upon information contained in the Schedule 13G filed February 14, 2007 by Soros Strategic Partners LP, SFM Participation II, L.P., SFM AH LLC, Soros Fund Management LLC, George Soros, Robert Soros and Jonathan Soros. Pursuant to the Schedule 13G, Soros Fund Management LLC is the managing member of Soros Strategic Partners LP, SFM Participation II, L.P. and SF AH LLC. In addition, pursuant to the Schedule 13G, SFM AH LLC is a general partner of both Soros Strategic Partners LP and SFM Participation II, L.P., and SFM Participation II, L.P. is a general partner of Soros Strategic Partners LP.

(4) Based upon information contained in the Schedule 13G/A filed July 9, 2007 by The Baupost Group, L.L.C., SAK Corporation and Seth A. Klarman. Pursuant to the Schedule 13G/A, Mr. Klarman is the sole director of SAK Corporation, which serves as manager for The Baupost Group.

(5) Based upon information contained in the Schedule 13G/A filed February 13, 2008 by Satellite Fund II, L.P., Satellite Fund IV, L.P., Satellite Overseas Fund, Ltd., The Apogee Fund, Ltd., Satellite Overseas Fund V, Ltd., Satellite Overseas Fund VI, Ltd., Satellite Overseas Fund VIII, Ltd., Satellite Overseas Fund IX, Ltd., Satellite Asset Management, L.P., Satellite Fund Management LLC and Satellite Advisers, L.L.C. Pursuant to the Schedule 13G/A, Satellite Advisers, L.L.C. has discretionary trading authority over Satellite Fund II, L.P.

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and Satellite Fund IV, L.P., which collectively hold approximately 696,389 shares of Marathon common stock. In addition, pursuant to the Schedule 13G/A, Satellite Asset Management, L.P. has discretionary investment trading authority over Satellite Overseas Fund, Ltd., The Apogee Fund, Ltd., Satellite Overseas Fund V, Ltd., Satellite Overseas Fund VI, Ltd., Satellite Overseas Fund VIII, Ltd. and Satellite Overseas Fund IX, Ltd., which collectively hold 2,708,628 shares of Marathon common stock. The Schedule 13G/A lists Satellite Fund Management LLC as the general partner of Satellite Asset Management, L.P.

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- (6) Based upon information contained in the Schedule 13G/A filed February 14, 2008 by Sapling, LLC, Fir Tree Capital Opportunity Master Fund, L.P. and Fir Tree, Inc. Sapling, LLC may direct the voting and disposition of 3,699,468 shares of Marathon common stock and Fir Tree Capital Opportunity Master Fund, L.P. may direct the voting and disposition of 775,332 shares of Marathon common stock. Pursuant to the Schedule 13G/A, Fir Tree, Inc. serves as the manager for both Sapling, LLC and Fir Tree Capital Opportunity Master Fund, L.P. Pursuant to the Schedule 13G/A, Jeffrey Tannenbaum is the president of Fir Tree, Inc.
- (7) Based upon information contained in the Schedule 13G/A filed February 14, 2007 by Dorset Management Corporation and David M. Knott. Pursuant to the Schedule 13G/A, Mr. Knott is the president of Dorset Management Corporation.
- (8) Based upon information contained in the Schedule 13G filed August 31, 2006 by Oliveira Capital, LLC. Pursuant to the Schedule 13G, Steven Oliveira is the managing member of Oliveira Capital, LLC.
- (9) Based upon information contained in the Schedule 13G/A filed October 29, 2007 by Azimuth Opportunity, Ltd.

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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Certain Relationships and Related Transactions with Marathon Founders, Other Initial Stockholders and Affiliates**

On May 11, 2006, Marathon Founders, LLC, an entity owned and controlled by Mr. Gross, and a current and former member of Marathon's board of directors, purchased 9,275,000, 50,000 and 50,000 shares of Marathon's common stock, respectively, for an aggregate purchase price of \$25,000. Subsequently, the former member of Marathon's board of directors and Marathon Founders, LLC transferred 50,000 of their shares of Marathon's common stock to each of Irwin D. Simon and Robert Sheft, members of Marathon's board of directors. Marathon Founders, LLC, Mr. Aron, Mr. Simon and Mr. Sheft own 9,225,000, 50,000, 50,000 and 50,000 shares of Marathon common stock, respectively.

On August 30, 2006, Marathon Investors, LLC, an entity owned and controlled by Mr. Gross, purchased 5,500,000 sponsor warrants, each exercisable for one share of Marathon common stock at an exercise price of \$6.00 per warrant, for an aggregate purchase price of \$5,500,000.

The initial stockholders and Marathon Investors, LLC are entitled to make up to two demands that Marathon register the 9,375,000 shares and the 5,500,000 shares of common stock underlying the sponsor warrants, pursuant to a registration rights agreement signed in connection with Marathon's initial public offering. The initial stockholders and Marathon Investors, LLC may elect to exercise these registration rights at any time (i) after the expiration of the transfer restrictions relating to the shares of common stock and (ii) after the sponsor warrants become exercisable by their terms, in the case of such warrants and the underlying shares of common stock. In addition, the initial stockholders and Marathon Investors, LLC have certain piggy-back registration rights on registration statements filed subsequent to the date on which these shares of common stock are no longer subject to such transfer restrictions or the sponsor warrants become exercisable. Marathon will bear the expenses incurred in connection with the filing of any such registration statements. The initial stockholders and Marathon Investors, LLC will have substantially the same rights under the new registration rights agreement with GSL Holdings and CMA CGM which will be executed on the closing date of the Merger. Please see Other Transaction Agreements.

Marathon has agreed to pay Marathon Management, LLC, an entity owned and controlled by Mr. Gross, a monthly fee of \$7,500 for office space and administrative services, including secretarial support. This arrangement was agreed to by Marathon Management, LLC for Marathon's benefit and is not intended to provide Mr. Gross compensation in lieu of a salary. Marathon believes that such fees are at least as favorable as Marathon could have obtained from an unaffiliated third party. For the year ended December 31, 2007, Marathon paid Marathon Management, LLC a total of \$90,000 pursuant to this arrangement.

Mr. Gross advanced \$225,000 to Marathon to cover expenses related to Marathon's initial public offering. This advance was non-interest bearing and unsecured and was repaid upon consummation of Marathon's initial public offering.

Marathon will reimburse members of its management team for any reasonable out-of-pocket business expenses incurred by them in connection with certain activities on Marathon's behalf such as identifying and investigating possible target businesses and business combinations. Subject to availability of proceeds not placed in the trust account and interest income of \$3.9 million (subject to the tax holdback) on the balance sheet of the trust account, there is no limit on the amount of out-of-pocket expenses that could be incurred. Marathon's audit committee will review and approve all expense reimbursements made to members of Marathon's management team and any expense reimbursements payable to members of Marathon's audit committee will be reviewed and approved by its board of directors, with the interested director or directors abstaining from such review and approval. To the extent such out-of-pocket expenses exceed the available proceeds not deposited in the trust account and the interest income of \$3.9 million on the balance of the trust account (subject to the tax holdback), such out-of-pocket expenses would not be reimbursed by Marathon unless Marathon consummates a business combination.

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Other than the \$7,500 per month administrative fees and reimbursable out-of-pocket expenses payable to members of Marathon's management team, no compensation or fees of any kind, including finders and consulting fees, will be paid to any members of Marathon's management team who owned Marathon common stock prior to the initial public offering, or to any of their respective affiliates for services rendered to Marathon prior to or with respect to the business combination.

All ongoing and future transactions between Marathon and any member of its management team or their respective affiliates, including loans by members of Marathon's management team, will be on terms believed by Marathon at that time, based upon other similar arrangements known to Marathon, to be no less favorable than are available from unaffiliated third parties. Such transactions or loans, including any forgiveness of loans, will require prior approval in each instance by a majority of Marathon's uninterested independent directors, to the extent Marathon has independent directors, or the members of Marathon's board who do not have an interest in the transaction, in either case who had access, at Marathon's expense, to Marathon's attorneys or independent legal counsel. It is Marathon's intention to obtain estimates from unaffiliated third parties for similar goods or services to ascertain whether such transactions with affiliates are on terms that are no less favorable to Marathon than are otherwise available from such unaffiliated third parties. If a transaction with an affiliated third party were found to be on terms less favorable to Marathon than with an unaffiliated third party, Marathon would not engage in such transaction.

## **Other Conflicts of Interest**

You should also be aware of the following potential conflicts of interest:

Members of Marathon's management team and board of directors are and may in the future become affiliated with entities engaged in business activities similar to those conducted by Marathon and may consider transactions with entities reviewed by Marathon as possible targets. In this connection, certain officers or directors or their affiliates might pursue transactions with businesses that were considered by Marathon as possible targets.

Since Messrs. Gross, Aron, Simon and Sheft beneficially own shares of Marathon's common stock, which will be subject to the transfer restrictions described in this joint proxy statement/prospectus, they may have a conflict of interest in determining whether a particular target business is appropriate for Marathon and its stockholders. The personal and financial interests of Messrs. Gross, Aron, Simon and Sheft may influence their motivation in identifying and selecting a target business, completing a business combination timely and securing the release of their stock.

In the event Marathon elects to make a substantial down payment, or otherwise incur significant expenses, in connection with a potential business combination, Marathon's expenses could exceed the remaining proceeds not held in trust. Members of Marathon's management team may have a conflict of interest with respect to evaluating a particular business combination if Marathon incurs such excess expenses. Specifically, members of Marathon's management team may tend to favor potential business combinations with target businesses that offer to reimburse any expenses in excess of Marathon's available proceeds not held in trust as well as the interest income of \$3.9 million earned on the trust account balance that may be released to Marathon (subject to the tax holdback).

Members of Marathon's management team may have a conflict of interest with respect to evaluating a particular business combination if the retention or resignation of any such members of Marathon's management team were included by a target business as a condition to any agreement with respect to a business combination.

In general, officers and directors of a corporation incorporated under the laws of the State of Delaware are required to present business opportunities to a corporation if:

the corporation could financially undertake the opportunity;

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the opportunity is within the corporation's line of business; and

it would not be fair to the corporation and its stockholders for the opportunity not to be brought to the attention of the corporation. Accordingly, as a result of multiple business affiliations, members of Marathon's management team may have similar legal obligations relating to presenting business opportunities meeting the above-listed criteria to multiple entities. In addition, conflicts of interest may arise when Marathon's board of directors evaluates a particular business opportunity with respect to the above-listed criteria. Marathon cannot assure you that any of the above mentioned conflicts will be resolved in Marathon's favor.

Each member of Marathon's management team has, or may come to have, to a certain degree, other fiduciary obligations. Members of Marathon's management team have fiduciary obligations to other companies on whose board of directors they presently sit, or may have obligations to companies whose board of directors they may join in the future.

Marathon's initial stockholders have agreed to waive their respective rights to participate in any liquidation distribution occurring upon Marathon's failure to consummate a business combination, but only with respect to those shares of common stock acquired by them prior to Marathon's initial public offering; they will participate in any liquidation distribution with respect to any shares of common stock acquired in connection with or following Marathon's initial public offering. In connection with the vote required for the Merger, the initial stockholders and Marathon Investors, LLC have agreed to vote their respective shares of common stock acquired by them in or after the initial public offering in favor of a business combination. Furthermore, Marathon's officers and directors and their respective affiliates, at any time prior to the special meeting, during a period when they are not then aware of any material nonpublic information regarding Marathon or its securities, may enter into a written plan to purchase Marathon securities pursuant to Rule 10b5-1 of the Exchange Act, and may engage in other permissible public market purchases, as well as private purchases, of securities. As a result, the initial stockholders and Marathon Investors, LLC must vote shares acquired in or after the initial public offering in favor of the proposed Merger with respect to those shares, and will therefore not be eligible to exercise conversion rights for those shares if the Merger is approved by a majority of Marathon's public stockholders. Marathon will proceed with the Merger only if a majority of the shares of common stock voted by the public stockholders are voted in favor of the Merger and public stockholders owning less than 20% of the shares sold in the initial public offering exercise their conversion rights.

### **Certain Relationships and Related Transactions with CMA CGM and Affiliates**

Global Ship Lease and CMA CGM and certain of its affiliates have entered into or will enter into various documents and agreements relating to Global Ship Lease's formation and operations prior to the Merger. Because Global Ship Lease was a wholly owned subsidiary of CMA CGM prior to the Merger, these documents and agreements are not the result of third party negotiations. Please see the risk factor entitled "Certain terms in Global Ship Lease's agreements with CMA CGM and its affiliates may be the result of negotiations that were not conducted at arms-length and may not reflect market standard terms. In addition, they may include terms that may not be obtained from future negotiations with unaffiliated third parties. Please see "Risk factors" for a more detailed discussion of certain of the implications of an affiliated transaction. Please also see "Other Transaction Agreements" for a description of certain agreements with CMA CGM relating to the transaction. In addition, CMA CGM will become the holder of up to 37.9% of the common shares of GSL Holdings upon the Merger and could be in a position to exert significant influence over the decisions of its management and any transaction that requires the approval of shareholders.

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**DESCRIPTION OF SECURITIES**

The following is a description of the material terms of GSL Holdings' articles of incorporation and bylaws that will be in effect as of the effective time of the Merger. GSL Holdings' articles of incorporation and bylaws have been filed as exhibits to the registration statement of which this joint proxy statement/prospectus forms a part. You can obtain copies of those documents by following the instructions under "Where You Can Find Additional Information."

**Purpose**

GSL Holdings' purpose, as stated in its articles of incorporation, will be to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Marshall Islands Business Corporations Act, or BCA. GSL Holdings' bylaws contain certain provisions designed to ensure that GSL Holdings remains a tax resident outside the United Kingdom, including that its board of directors shall at all times include a majority of directors who are neither resident for tax purposes in the United Kingdom nor reside in the United Kingdom, and that meetings or actions of the board of directors shall not in any circumstances take place within the United Kingdom.

**Authorized Shares**

Under its articles of incorporation, GSL Holdings' authorized shares will consist of 250 million shares, par value \$0.01 per share, consisting of (1) 214 million Class A common shares, (2) 20 million Class B common shares, (3) 15 million Class C common shares and (4) one million preferred shares. No preferred shares will be issued or outstanding as of the effective time of the Merger.

**Common Shares**

The common shares will have the voting rights described below under "Voting" and the dividend rights described below under "Dividends", subject to preferences that may be applicable to any outstanding preferred shares. Holders of GSL Holdings' common shares will not have solely by reason thereof conversion or redemption rights or any preemptive rights to subscribe for any of its unissued securities pursuant to the articles of incorporation, other than the conversion of Class B common shares and Class C common shares into Class A common shares pursuant to the articles of incorporation as described below under "Conversion." The rights, preferences and privileges of holders of GSL Holdings' common shares will be subject to the rights of the holders of any preferred shares which may be issued in the future.

**Preferred Shares**

GSL Holdings' articles of incorporation will authorize its board of directors to establish and issue up to one million preferred shares and to determine, with respect to any series of preferred shares, the rights and preferences of that series, including:

the designation of the series;

the number of preferred shares in the series;

the preferences and relative participating option or other special rights, if any, and any qualifications, limitations or restrictions of such series; and

the voting rights, if any, of the holders of the series (subject to terms set forth below with regard to the policy of GSL Holdings' board of directors regarding preferred shares).

**Voting**

The Class A common shares, Class B common shares and the Class C common shares will each have one vote and vote together as a single class except that any amendment to the articles of incorporation, including those made pursuant to the terms of any merger, consolidation or similar transaction, that would increase or



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decrease the aggregate number of authorized common shares of a class, increase or decrease the par value of common shares of a class, or alter or change the powers, preferences or rights of the class of common shares so as to affect them adversely, must be approved by the holders of not less than a majority of the votes entitled to be cast by the holders of such class of common shares then outstanding, voting separately as a class. GSL Holdings' directors will be elected by the vote of the majority of the votes cast of the Class A, Class B and Class C common shares, voting as a single class with respect to each director (provided that if as of a date that is fourteen days in advance of the date the corporation files its definitive proxy statement with the U.S. Securities and Exchange Commission the number of nominees exceeds the number of directors to be elected, the directors shall be elected by the vote of a plurality of the common shares represented in person or by proxy at such meeting and entitled to vote on the election of directors). For purposes thereof, a majority of the votes cast means that the number of shares voted for a director must exceed the number of votes cast against that director. A majority of the Class A, Class B and Class C common shares in the aggregate shall constitute a quorum.

### **Dividends**

Declaration and payment of any dividend is subject to the discretion of GSL Holdings' board of directors. The time and amount of dividends will be dependent upon GSL Holdings' financial condition, operations, cash requirements and availability, debt repayment obligations, capital expenditure needs and restrictions in its debt instruments, and industry trends, the provisions of Marshall Islands law affecting the payment of distributions to shareholders and other factors. The BCA generally prohibits the payment of dividends other than from paid-in capital in excess of par value and GSL Holdings' earnings or while GSL Holdings is insolvent or would be rendered insolvent on paying the dividend. In the discussion below, the third quarter dividend of \$0.18 per share is referred to as the base quarterly dividend and the adjusted base quarterly dividend of \$0.19 per share payable with respect to the third quarter of 2009 is referred to as the adjusted base quarterly dividend. If GSL Holdings pays an amount in excess of the base quarterly dividend during the subordination period, it will be paid equally on each Class A common share and subordinated Class B common share.

All dividends paid to shareholders, with the exception of the starting dividend, will be treated as either a dividend from operating surplus or a liquidating dividend. Until the subordination period has been concluded, GSL Holdings' board of directors will treat all dividends as coming from operating surplus until the sum of all dividends paid since the closing of the Merger equals the amount of operating surplus as of the most recent date of determination. GSL Holdings' undistributed operating surplus at any point in time will be its operating surplus accumulated since the closing of the Merger less all dividends from operating surplus paid since the closing of the Merger. GSL Holdings will treat dividends paid from any amount in excess of its operating surplus as liquidating dividends.

GSL Holdings will pay dividends on the Class A common shares and Class B common shares from operating surplus, if any, for any quarter, in the following manner:

*first*, 100% to all Class A common shares, pro rata, until each outstanding common share has been paid an amount equal to the applicable base dividend for that quarter;

*second*, 100% to all Class A common shares, pro rata, until they have received any unpaid arrearages in the base dividend for prior quarters during the subordination period;

*third*, 100% to all Class B common shares, pro rata, until each outstanding Class B common share has been paid an amount equal to the applicable base dividend for that quarter;

*after that*, 100% to all Class A and Class B common shares, pro rata, as if they were a single class.

Class B common shares will not be entitled to any arrearages. Liquidating dividends will be paid equally to each Class A and Class B common share. GSL Holdings does not expect to pay liquidating dividends.

Class C common shares will not be entitled to receive dividends.



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*Operating Surplus.* Operating surplus generally means:

\$20.0 million (which may be increased to \$30.0 million as described below); *plus*

all of our cash receipts since the closing of the Merger, excluding cash receipts from (1) borrowings, (2) sales of equity and debt securities, (3) capital contributions, (4) corporate reorganizations or restructurings, (5) the termination of interest rate swap agreements, (6) sales or other dispositions of vessels and (7) sales or other dispositions of other assets other than in the normal course of business; *plus*

interest paid on debt incurred and cash dividends paid on equity securities issued by GSL Holdings, in each case, to finance all or any portion of the construction, replacement or improvement of a capital asset such as vessels (other than our contracted fleet) during the period from such financing until the earlier to occur of the date the capital asset is put into service or the date that it is abandoned or disposed of; *plus*

interest paid on debt incurred and cash dividends paid on GSL Holdings' equity securities issued by GSL Holdings, in each case, to pay the construction period interest on debt incurred, or to pay construction period dividends on GSL Holdings' equity issued, to finance the construction projects described in the immediately preceding bullet; *less*

all of GSL Holdings' cash expenditures after the completion of the Merger, including, but not limited to operating expenses, interest payments and taxes, but not (1) the repayment of borrowings, (2) the repurchase of debt and equity securities, (3) interest rate swap termination costs, (4) expenses and taxes related to borrowings, sales of equity and debt securities, capital contributions, corporate reorganizations or restructurings, the termination of interest rate swap agreements, sales or other dispositions of vessels, and sales or dispositions of other assets other than in the normal course of business, (5) capital expenditures (6) expenses, costs and liabilities related to the merger and (6) payment of dividends; *less*

cash capital expenditures incurred after the completion of the Merger to maintain GSL Holdings' vessels and other assets, replacement of equipment on the vessels, repairs and similar expenditures, but excluding capital expenditures related to drydocking and capital expenditures for or related to the acquisition of additional vessels, and including capital expenditures for replacement of a vessel as a result of damage or loss prior to normal retirement, net of any insurance proceeds, warranty payments or similar property not treated as cash receipts for this purpose; *less*

a reserve for the estimated cost of future drydockings; *less*

the amount of cash reserves established by our board of directors for future (1) operating expenditures and (2) maintenance capital expenditures.

The \$20.0 million amount in the first bullet point above may be increased by GSL Holdings' board of directors to \$30.0 million only if the board of directors determines such increase is necessary to allow GSL Holdings to pay all or part of the base quarterly dividend or adjusted base quarterly dividend on the common shares, as the case may be. The \$20.0 million amount cannot be increased in any period in which a dividend on Class B common shares is paid or is otherwise payable. Expenditures in the fifth bullet point above are referred to as operating expenditures and those in the sixth and seventh bullet points are referred to as maintenance capital expenditures. When the term "interest" is used in the bullet points above, it includes periodic payments made by GSL Holdings under interest rate swap agreements.

The starting dividend of \$0.18 per Class A common share to be declared shortly after the closing of the Merger will not be treated as being paid from operating surplus and will not be treated as a liquidating dividend. See "Dividend Policy" .

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As described above, GSL Holdings' operating surplus, for determining whether it is paying ordinary dividends or liquidating dividends, does not reflect only cash on hand that is generated from its operations. For example, it includes a provision that will enable GSL Holdings to pay, under circumstances described above, a dividend from its operating surplus of up to \$30.0 million of cash we receive from non-operating sources, such as asset sales, issuances of securities and borrowings. In addition, the effect of including, as described above, certain dividends on equity securities or interest payments on debt, related to the construction, replacement or

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improvement of an asset in operating surplus would be to increase our operating surplus by the amount of any such dividends or interest payments. As a result, GSL Holdings may also pay dividends from our operating surplus up to the amount of any such dividends or interest payments from cash we receive from non-operating sources.

GSL Holdings' articles of incorporation will provide that the construction or application of the definition of operating surplus may be adjusted in the case of any particular transaction or matter or type of transaction or matter if our board of directors, with the concurrence of the audit committee, is of the opinion that the adjustment is necessary or appropriate to further the overall purpose and intent of the definition of operating surplus, so long as such adjustment will not adversely affect the holders of Class B common shares.

Once the subordination has been released, we will no longer determine whether a dividend is a dividend from operating surplus or a liquidating dividend.

*Liquidating Dividends.* In general, liquidating dividends will only be generated from

borrowings;

sales of debt and equity securities;

sales or other dispositions of vessels; and

sales or other dispositions of other assets, other than assets sold in the ordinary course of business.

GSL Holdings does not expect to pay liquidating dividends.

*Class A Common Share Arrearages.* In general, to the extent that during the subordination period Class A common shares do not receive dividends from operating surplus each quarter in an amount at least equal to the initial or adjusted base dividend, a Class A common share arrearage will accrue in the amount of the shortfall. If GSL Holdings sells Class A common shares when any Class A common share arrearage exists, the aggregate amount of the Class A common share arrearage shall be deemed increased so that the amount of the arrearage per Class A common share after the sale shall be the same as the arrearage per Class A share before the sale.

*Adjustment of Base Dividend and Target Dividend Amounts.* The base quarterly dividend and adjusted base quarterly dividend are subject to downward adjustment in the case of liquidating dividends. The base dividend will be reduced in the same proportion that the liquidating dividend had to the fair market value of the Class A shares prior to the payment of the dividend. If the Class A shares are publicly traded on a national securities exchange or market, that price will be the average closing sale price on each of the five trading days before the ex-dividend date. If the shares are not publicly traded, the price will be determined by our board of directors.

In addition to the adjustment for liquidating dividends, if we combine our shares into fewer shares or subdivide our shares into a greater number of shares, we will proportionately adjust the initial and adjusted base quarterly dividend.

*Subordination Period.* The subordination period will extend until the first day after the quarter ending June 30, 2011, provided that each of the following tests have been met:

GSL Holdings has paid a dividend in the amount at least equal to the adjusted base dividend per share on both the Class A and Class B common shares for the immediately preceding four-quarter period; and  
GSL Holdings' operating surplus (excluding the amount under the first bullet in the definition of operating surplus) generated during the four-quarter period referred to above was at least 1.25 multiplied by the adjusted base dividend on all of the outstanding Class A and Class B common shares during that period.



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Notwithstanding the tests above, the subordination period will end immediately preceding the occurrence of a change of control of GSL Holdings. As a result, each Class B common share will convert into a Class A common share.

### **Conversion**

The outstanding Class C common shares will convert to Class A common shares on a one-for-one basis on January 1, 2009 or upon a change of control of GSL Holdings, whichever is earlier. The outstanding Class B common shares will convert to Class A common shares on a one-for-one basis after the expiration of the subordination period.

### **Directors**

The number of persons constituting the board of directors of GSL Holdings shall not be less than three or more than twelve, as fixed from time to time by the vote of the holders of a majority of the outstanding common shares (subject to any rights of the holders of preferred shares) or by majority vote of the entire board of directors. The board of directors of GSL Holdings will be divided into three classes that are as nearly equal in number as possible. Term I Directors initially will serve until the 2009 annual meeting of shareholders, Term II Directors initially will serve until the 2010 annual meeting of shareholders, and Term III Directors initially will serve until the 2011 annual meeting of shareholders. Commencing with the 2009 annual meeting of shareholders, the directors of each class are elected for terms of three years.

### **Shareholder Meetings**

Under GSL Holdings' bylaws, annual shareholder meetings will be held at a time and place selected by GSL Holdings' board of directors. The meetings may be held in or outside of the Marshall Islands. Special meetings may be called by the Chairman of GSL Holdings' board of directors or by resolution of GSL Holdings' board of directors. GSL Holdings' board of directors may set a record date between 15 and 60 days before the date of any meeting to determine the shareholders that will be eligible to receive notice and vote at the meeting.

### **Units**

One unit of GSL Holdings is composed of one Class A common share and one warrant to buy one Class A common share.

### **Warrants**

#### ***Public Shareholders' Warrants***

Each warrant will entitle the registered holder to purchase one Class A common share at a price of \$6.00 per share, subject to adjustment as discussed below, upon the completion of the Merger.

The warrants will expire August 24, 2010, or earlier upon redemption. Once the warrants become exercisable, we may call the warrants for redemption:

in whole and not in part;

at a price of \$.01 per warrant;

upon not less than 30 days' prior written notice of redemption to each warrant holder; and

if, and only if, the reported last sale price of the Class A common shares equals or exceeds \$11.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to warrant holders.



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We have established these redemption criteria to provide warrant holders with a significant premium to the initial warrant exercise price as well as a sufficient degree of liquidity to cushion the market reaction, if any, to our redemption call. If the foregoing conditions are satisfied and we issue notice of redemption of the warrants, each warrant holder shall be entitled to exercise his or her warrant prior to the scheduled redemption date. However, there can be no assurance that the price of the Class A common shares will exceed the redemption trigger price or the warrant exercise price after the redemption notice is issued.

Upon consummation of the merger, Marathon warrants will become warrants of GSL Holdings and be governed by the same warrant agreement with Mellon Investor Services LLC, successor to The Bank of New York, as warrant agent. You should review a copy of the warrant agreement, which is filed as an exhibit to the joint proxy/registration statement of which this prospectus is a part, for a complete description of the terms and conditions of the warrants.

The exercise price and number of shares of Class A common shares issuable on exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, or our recapitalization, reorganization, merger or consolidation. However, the exercise price and number of Class A common shares issuable on exercise of the warrants will not be adjusted for issuances of Class A common shares at a price below the warrant exercise price.

The warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified check payable to us, for the number of warrants being exercised. On the exercise of any warrant, the warrant exercise price will be paid directly to us. In no event may the warrants be net cash settled. Warrant holders do not have the rights or privileges of holders of Class A common shares, including voting rights, until they exercise their warrants and receive shares of Class A common shares. After the issuance of Class A common shares upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by shareholders.

No warrants will be exercisable unless at the time of exercise we have registered with the SEC the Class A common shares issuable on exercise of the warrants. Under the warrant agreement, we have agreed to use our best efforts to effectuate the registration of such Class A common shares on a registration statement filed with the SEC immediately prior to the time the warrants become exercisable and to use our best efforts to ensure that the prospectus included in such registration statement remains current from the date such warrants become exercisable to the date such warrants expire or are redeemed. However, we cannot assure you that we will be able to effectuate such registration or be able to keep such prospectus current. The warrants may be deprived of any value and the market for the warrants may be limited if the Class A common shares issuable on exercise of the warrants is not registered with the SEC or if the prospectus relating to the Class A common shares issuable on exercise of the warrants is not current.

No fractional shares will be issued upon exercise of the warrants. If a holder exercises warrants and would be entitled to receive a fractional interest of a share, we will round the number of Class A common shares to be issued to the warrant holder to the nearest whole number of shares.

### ***Sponsor Warrants***

Subject to the terms described below, the sponsor warrants will have terms and provisions that are identical to the public warrants, except that they (1) will not be transferable or salable by Marathon Investors, LLC or its permitted transferees until Marathon completes a business combination, (2) will be non-redeemable so long as Marathon Investors, LLC or its permitted transferees hold such warrants and (3) may be exercised whether or not a current prospectus relating to the Class A common shares is effective. Marathon Investors, LLC will be permitted to transfer sponsor warrants to members of our management team, our employees, other persons or

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entities associated with Mr. Gross and in certain limited other circumstances, such as to immediate family members, but the transferees receiving such sponsor warrants must first agree to be subject to the same sale restrictions imposed on Marathon Investors, LLC. In the event the Merger is consummated, the Second Supplemental Warrant Agreement entered into between Marathon and the warrant agent provides that the sponsor warrants must be exercised on a cashless basis and may be redeemed at Marathon's option under the same conditions applicable to the public warrant holders. In addition, commencing on the date such warrants become exercisable, the sponsor warrants and the underlying Class A common shares are entitled to registration rights under the registration rights agreement to be signed prior to or upon consummation of the Merger.

### **Anti-Takeover Effects of Certain Provisions of GSL Holdings' Articles of Incorporation and Bylaws**

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

#### ***Authorized Preferred and Common Shares***

The articles of incorporation will authorize the issuance of one million blank check preferred shares with such designation, rights and preferences as may be determined from time to time by the board of directors. The board of directors may issue preferred shares on terms calculated to discourage, delay or prevent a change of control of its company or the removal of its management. Moreover, GSL Holdings' authorized but unissued common shares and preferred stock are available for future issuances without shareholder approval and could be utilized for a variety of corporate purposes, including future offerings to raise additional capital, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common shares and preferred shares could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

#### ***Classified Board of Directors***

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

#### ***Removal of Directors; Vacancies***

GSL Holdings' articles of incorporation will provide that directors may be removed with cause upon the affirmative vote of holders of a majority of the common shares entitled to vote generally in the election of directors. The bylaws will require parties other than the board of directors to give advance written notice of nominations for the election of directors.

#### ***No Cumulative Voting***

The BCA provides that shareholders are not entitled to the right to cumulate votes in the election of directors unless the articles of incorporation provides otherwise. GSL Holdings' articles of incorporation will prohibit cumulative voting.

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### ***Calling of Special Meetings of Shareholders***

GSL Holdings' bylaws will provide that special meetings of GSL Holdings' shareholders may be called only by the Chairman of the board of directors or by resolution of the board of directors.

### ***Advance Notice Requirements for Shareholder Proposals and Director Nominations***

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

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

### **Business Combinations**

Although the BCA does not contain specific provisions regarding business combinations between corporations organized under the laws of the Republic of the Marshall Islands and interested shareholders, the articles of incorporation will include applicable provisions that will prohibit GSL Holdings from engaging in a business combination with an interested shareholder for a period of three years after the date of the transaction in which the person became an interested shareholder, unless:

prior to the date of the transaction that resulted in the shareholder becoming an interested shareholder, the board of directors approved either the business combination or the transaction that resulted in the shareholder becoming an interested shareholder;

upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or

at or subsequent to the date of the transaction that resulted in the shareholder becoming an interested shareholder, the business combination is approved by the board of directors and authorized at an annual or special meeting of shareholders by the affirmative vote of at least 66<sup>2</sup>/<sub>3</sub>% of the outstanding voting shares that are not owned by the interested shareholder.

For purposes of these provisions, a business combination includes mergers, consolidations, exchanges, asset sales, leases and other transactions resulting in a financial benefit to the interested shareholder and an interested shareholder is any person or entity that beneficially owns 15% or more of GSL Holdings' outstanding voting shares and any person or entity affiliated with or controlling or controlled by that person or entity.

### **Dissenters' Rights of Appraisal and Payment**

Under the BCA, GSL Holdings' shareholders have the right to dissent from various corporate actions, including any merger or consolidation or sale of all or substantially all of GSL Holdings' assets not made in the usual course of GSL Holdings' business, and receive payment of the fair value of their shares. In the event of any further amendment of GSL Holdings' articles of incorporation, a shareholder 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 shareholder must follow the procedures set forth in the BCA to receive payment. In the event that GSL Holdings' and any dissenting shareholder 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 or in any appropriate court in any jurisdiction in which GSL Holdings' common shares are primarily traded on a local or national securities exchange to fix the value of the shares.

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### **Shareholders Derivative Actions**

Under the BCA, any of GSL Holdings' shareholders may bring an action in its name to procure a judgment in its favor, also known as a derivative action, provided that the shareholder bringing the action is a holder of common shares both at the time the derivative action is commenced and at the time of the transaction to which the action relates.

### **Limitations on Liability and Indemnification of Officers and Directors**

The BCA authorizes corporations to limit or eliminate the personal liability of directors and officers to corporations and their shareholders for monetary damages for breaches of directors' fiduciary duties. GSL Holdings' articles of incorporation will include a provision that eliminates the personal liability of directors for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by law.

GSL Holdings' articles of incorporation will provide that it must indemnify its directors and officers to the fullest extent authorized by law. GSL Holdings' will also be expressly authorized to advance certain expenses to its directors and officers and carry directors' and officers' insurance providing indemnification for its directors and officers for some liabilities. GSL Holdings believes that these indemnification provisions and the directors' and officers' insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability and indemnification provisions in GSL Holdings' articles of incorporation may discourage shareholders from bringing a lawsuit against its directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit GSL Holdings' and its shareholders. In addition, an investment in GSL Holdings' common shares may be adversely affected to the extent it pays the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of GSL Holdings' directors, officers or employees for which indemnification is sought.

### **New York Stock Exchange Listing**

GSL Holdings is applying to have the Class A common shares, warrants and units listed on the New York Stock Exchange under the symbols, GSL , GSL.WS and GSL.U , respectively.

### **Transfer Agent and Registrar**

GSL Holdings will appoint Mellon Investor Services LLC as the transfer agent and registrar for the common shares, warrants and units.

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**COMPARISON OF MARATHON AND GSL HOLDINGS STOCKHOLDER RIGHTS**

In the Merger, each share of Marathon common stock, par value \$0.0001 per share, will be converted into the right to receive one Class A common share, par value \$0.01 per share, of GSL Holdings (to be renamed Global Ship Lease) and each warrant to purchase shares of Marathon will be assumed by GSL Holdings and will contain the same terms and provisions except that each will be exercisable for Class A common shares of GSL Holdings. Marathon is a Delaware corporation. The rights of its stockholders derive from Marathon's certificate of incorporation and bylaws and from the Delaware General Corporation Law, or DGCL. GSL Holdings is a Marshall Islands corporation. The rights of its shareholders derive from GSL Holdings' articles of incorporation and bylaws and from the BCA.

The following is a comparison setting forth the material differences of the rights of Marathon stockholders and GSL Holdings stockholders. Certain significant differences in the rights of Marathon stockholders and those of GSL Holdings shareholders arise from differing provisions of Marathon's and GSL Holdings' respective governing corporate instruments. The following summary does not purport to be a complete statement of the provisions affecting, and differences between, the rights of Marathon stockholders and those of GSL Holdings stockholders. This summary is qualified in its entirety by reference to the DGCL and the BCA and to the respective governing corporate instruments of Marathon and the forms of such instruments of GSL Holdings, to which stockholders are referred.

**Authorized Capital Stock**

**Marathon.** Marathon is authorized to issue 249,000,000 shares of common stock, par value \$0.0001, and 1,000,000 shares of preferred stock, par value \$0.0001.

**GSL Holdings.** GSL Holdings will be authorized to issue 249,000,000 common shares, par value \$0.01, consisting of 214,000,000 Class A common shares, 20,000,000 Class B common shares, and 15,000,000 Class C common shares, and 1,000,000 preferred shares, par value \$0.01.

**Board of Directors**

**Marathon.** Marathon's certificate of incorporation provides that Marathon's board of directors is divided into three classes with only one class of directors being elected in each year and each class serving a three-year term. Marathon's bylaws provide that its board of directors shall consist of not less than one nor more than nine members as designated from time to time by resolution of the board.

Marathon's certificate of incorporation and bylaws do not provide for cumulative voting for the election of directors. At all meetings of stockholders for the election of directors, a plurality of the votes cast shall be sufficient to elect directors.

**GSL Holdings.** GSL Holdings' articles of incorporation provides that the board of directors will be divided into three classes that are as nearly equal in number as possible, with only one class being elected each year and each class serving a three-year term. GSL Holdings' articles of incorporation provides that the number of persons constituting the board of directors shall not be less than three or more than twelve, as fixed from time to time by the vote of the holders of a majority of the outstanding common shares (subject to any rights of the holders of preferred shares) or by majority vote of the entire board of directors.

GSL Holdings' articles of incorporation does not provide for cumulative voting for the election of directors. At any meeting for the election of directors at which a quorum is present, each director will be elected by the vote of a majority of the votes cast (provided that if as of a date that is fourteen days in advance of the date GSL Holdings files its definitive proxy statement with the Securities and Exchange Commission the number of nominees exceeds the number of directors to be elected, the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors).

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### **Special Meetings of Stockholders**

**Marathon.** Marathon's bylaws provide that a special meeting of stockholders may only be called by a majority of the entire board of directors, by the Chief Executive Officer or the Chairman of the board of directors.

**GSL Holdings.** GSL Holdings' bylaws provide that a special meeting of shareholders may be called only by the Chairman of the board of directors or by resolution of the board of directors.

### **Mergers, Share Exchanges and Sales of Assets**

**Marathon.** The DGCL generally requires a majority vote of the outstanding shares of the corporation entitled to vote to effectuate a merger. The certificate of incorporation of a Delaware corporation may provide for a greater vote.

Marathon's certificate of incorporation provides that, in connection with a business combination, such as the Merger, a majority of the votes cast of Marathon's outstanding common stock issued in the initial public offering is required for the approval of a business combination; *provided*, that Marathon may not consummate any business combination if holders representing 20% or more in interest of the shares issued in its initial public offering exercise their rights to convert their shares of common stock into cash.

**GSL Holdings.** The BCA provides that a merger in which the Marshall Islands corporation is not the surviving corporation requires the affirmative vote of the holders of at least a majority of the outstanding shares of capital stock of the Marshall Islands corporation entitled to vote thereon. The BCA further provides that a sale, lease, exchange or other disposition of all or substantially all the assets of the Marshall Islands corporation, if not made in the usual or regular course of the business actually conducted by such Marshall Islands corporation, requires the affirmative vote of the holders of at least 66 2/3% of the outstanding shares of capital stock of the Marshall Islands corporation entitled to vote thereon, unless any class of shares is entitled to vote thereon as a class, in which event such authorization shall require the affirmative vote of the holders of a majority of the shares of each class of shares entitled to vote as a class thereon and of the total shares entitled to vote thereon.

### **Business Combination Statute or Similar Anti-Takeover Provisions**

**Marathon.** Section 203 of the DGCL, generally has an anti-takeover effect for transactions not approved in advance by our board of directors. This may discourage takeover attempts that might result in payment of a premium over the market price for the shares of common stock held by stockholders. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a three-year period following the time that such stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. A business combination includes, among other things, a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who, together with affiliates and associates, owns, or did own within three years prior to the determination of interested stockholder status, 15% or more of the corporation's voting stock.

Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

before the stockholder became interested, the board of directors approved either the business combination or the transaction which resulted in the stockholder becoming 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 the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans, in some instances; or

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at or after the time the stockholder became interested, the business combination was approved by the board of directors of the corporation and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

**GSL Holdings.** Although the BCA does not contain specific provisions regarding business combinations between corporations organized under the laws of the Republic of the Marshall Islands and interested shareholders, the articles of incorporation will include provisions similar to Section 203 of the DGCL that will prohibit GSL Holdings from engaging in a business combination with an interested shareholder for a period of three years after the date of the transaction in which the person became an interested shareholder, subject to similar exceptions.

## **Voting**

**Marathon.** Marathon's certificate of incorporation provides that except as otherwise required by law or as otherwise provided in any rights of preferred stock, the holders of common stock shall exclusively possess all voting power and each share of common stock shall have one vote.

**GSL Holdings.** The articles of incorporation of GSL Holdings will provide that except as otherwise provided by law, each of the Class A common shares, Class B common shares and Class C common shares shall have one vote and shall vote as a single class; *provided*, that any proposed amendment of the articles of incorporation, including any amendment of the articles of incorporation (or any successor articles of incorporation) made pursuant to the terms of any merger, consolidation or similar transaction, that would increase or decrease the aggregate number of authorized shares, increase or decrease the par value of the shares, or alter or change the powers, preferences or rights of the shares, in each case, of a particular class so as to affect them adversely, shall require the approval of not less than a majority of the votes entitled to be cast by the holders of such class of common shares then outstanding, voting separately as a class.

## **Dividends**

**Marathon.** The DGCL allows the board of directors of a Delaware corporation to authorize a corporation to declare and pay dividends and other distributions to its stockholders, subject to any restrictions contained in the certificate of incorporation, either out of surplus, or, if there is no surplus, out of net profits for the current or preceding fiscal year in which the dividend is declared. However, a distribution out of net profits is not permitted if a corporation's capital is less than the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, until the deficiency has been repaired. Declaration and payment of any dividend is subject to the discretion of the board of directors.

**GSL Holdings.** Marshall Islands law generally prohibits the payment of dividends if the company is insolvent or would be rendered insolvent upon the payment of such dividends and dividends may be declared and paid out of surplus only; but in the case there is no surplus, dividends may be declared or paid out of net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year. Declaration and payment of any dividend is subject to the discretion of the board of directors. Furthermore, the Class B common shares are subject to subordination provisions with respect to dividends and the Class C common shares are not entitled to any dividends.

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**COMPARISON OF MARSHALL ISLANDS CORPORATE LAW TO DELAWARE CORPORATE LAW**

GSL Holdings' corporate affairs will be governed by its articles of incorporation and bylaws and the BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. For example, the BCA allows the adoption of various anti-takeover measures. While the BCA also provides that it is to be interpreted according to the laws of the State of Delaware and other states with substantially similar legislative provisions, there have been few, if any, court cases interpreting the BCA in the Republic of the Marshall Islands and we can not predict whether Marshall Islands courts would reach the same conclusions as United States courts. Thus, you may have more difficulty in protecting your interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction which has developed a substantial body of case law. The following table provides a comparison between the statutory provisions of the BCA and the DGCL relating to shareholders' rights.

| <b>Marshall Islands</b>  | <b>Delaware</b>  |
|--|--|
| <i>Shareholder Meetings</i>  |  |
| May be held at a time and place as designated in the bylaws  | May be held at such time or place as designated in the certificate of incorporation or the bylaws, or if not so designated, as determined by the board of directors  |
| May be held within or outside the Marshall Islands   | May be held within or outside Delaware   |
| Notice:  | Notice:  |
| Whenever shareholders are required to take action at a meeting, written notice shall state the place, date and hour of the meeting and indicate that it is being issued by or at the direction of the person calling the meeting | Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, and the means of remote communication, if any, by which stockholders may be deemed to be present and vote at such meeting |
| A copy of the notice of any meeting shall be given personally or sent by mail not less than 15 nor more than 60 days before the meeting  | Written notice shall be given not less than 10 nor more than 60 days before the meeting  |
| <i>Shareholders' Voting Rights</i>   |  |
| Any action required to be taken by meeting of shareholders may be taken without meeting if consent is in writing and is signed by all the shareholders entitled to vote  | Stockholders may act by written consent to elect directors   |
| Any person authorized to vote may authorize another person or persons to act for him by proxy  | Any person authorized to vote may authorize another person or persons to act for him by proxy  |

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**Marshall Islands**

Unless otherwise provided in the articles of incorporation, a majority of shares entitled to vote constitutes a quorum. In no event shall a quorum consist of fewer than one-third of the shares entitled to vote at a meeting

The articles of incorporation may provide for cumulative voting

*Limits on Rights of Non-Resident or Foreign Shareholders to Hold or Exercise Voting Rights*

There are no limits on the rights of non-resident or foreign shareholders to hold or exercise voting rights.

*Right to Inspect Corporate books*

Any shareholder may during the usual hours of business inspect, for a purpose reasonably related to his interests as a shareholder, and make copies of extracts from the share register, books of account, and minutes of all proceedings.

The right of inspection may not be limited in the articles or bylaws.

*Indemnification*

For actions not by or in the right of the corporation, a corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened or pending action or proceeding by reason of the fact that he is or was a director or officer of the corporation against expenses (including attorneys' fees), judgments and amounts paid in settlement if he acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful.

**Delaware**

Certificate of incorporation or bylaws may specify the number of members necessary to constitute a quorum but in no event shall a quorum consist of less than one-third of the shares entitled to vote at the meeting. In the absence of such specifications, a majority of shares entitled to vote at the meeting shall constitute a quorum

The certificate of incorporation may provide for cumulative voting

There are no limits on the rights of non-resident or foreign shareholders to hold or exercise voting rights.

Any stockholder, in person or through an agent, upon written demand under oath stating the purpose thereof, has the right during usual business hours to inspect and make copies or extracts from the corporation's stock ledger, a list of its stockholders, and books and records.

For actions not by or in the right of the corporation, a corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened or pending action or proceeding by reason of the fact that he is or was a director or officer of the corporation against expenses (including attorneys' fees), judgments and amounts paid in settlement if he acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful.

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**Marshall Islands**

**Delaware**

*Duties of Directors and Officers*

Directors and officers shall discharge their duties in good faith and with that degree of diligence, care and skill which ordinarily prudent men would exercise under similar circumstances in like positions. They may rely upon financial statements of the corporation represented to them to be correct by the president or the officer having charge of its books or accounts or by independent accountants.

Directors owe a duty of care and a duty of loyalty to the corporation and have a duty to act in good faith.

*Right To Dividends*

A corporation may declare and pay dividends in cash, stock or other property except when the company is insolvent or would be rendered insolvent upon payment of the dividend or when the declaration or payment would be contrary to any restrictions contained in the articles of incorporation. Dividends may be declared and paid out of surplus only, but if there is no surplus dividends may be paid out of the net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year.

Directors may declare a dividend out of its surplus, or, if there is no surplus, then out of its net profits for the year in which the dividend is declared and/or the preceding fiscal year.

*Bylaws*

Except as otherwise provided in the articles of incorporation, bylaws may be amended, repealed or adopted by a vote of shareholders. If so provided in the articles of incorporation or in a shareholder approved bylaw, bylaws may also be amended, repealed, or adopted by the board of directors, but any bylaw adopted by the board of directors may be amended or repealed by the shareholders.

After a corporation has received any payment for any of its stock, the power to adopt, amend, or repeal bylaws shall be in the stockholders entitled to vote; provided, however, any corporation may, in its certificate of incorporation, provide that bylaws may be adopted, amended or repealed by the board of directors. The fact that such power has been conferred upon the board of directors shall not divest the stockholders of the power nor limit their power to adopt, amend or repeal the bylaws.

*Removal of Directors*

Any or all of the directors may be removed for cause by a vote of the shareholders or if the articles of incorporation or bylaws so provide, by the board. If the articles of incorporation or bylaws so provide, directors may be removed without cause by vote of the shareholders.

Any or all directors on a board without staggered terms may be removed with or without cause by the affirmative vote of a majority of shares entitled to vote in the election of directors unless the certificate of incorporation otherwise provides. Directors on a board with staggered terms may only be removed for cause by the affirmative vote of a majority of shares entitled to vote in the election of directors.

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**Marshall Islands**

*Directors*

**Delaware**

Board must consist of at least one member

Board must consist of at least one member

Number of members can be changed by an amendment to the bylaws, by the shareholders, or by action of the board

Number of board members shall be fixed by the bylaws, unless the certificate of incorporation fixes the number of directors, in which case a change in the number shall be made only by amendment of the certificate

If the board is authorized to change the number of directors, it can only do so by an absolute majority (majority of the entire board)

A majority of the entire board, in person or by proxy, shall constitute a quorum for the transaction of business. The bylaws may lower the number required for a quorum to one-third the number of directors but no less.

A majority of the total number of directors shall constitute a quorum for the transaction of business unless the certificate or bylaws require a greater number. The bylaws may lower the number required for a quorum to one-third the number of directors but no less.

*Dissenter's Rights of Appraisal*

Shareholders have a right to dissent from a merger or sale of all or substantially all assets not made in the usual course of business, and receive payment of the fair value of their shares

Appraisal rights shall be available for the shares of any class or series of stock of a corporation in a merger or consolidation, subject to exceptions.

A holder of any adversely affected shares who does not vote on or consent in writing to an amendment to the articles of incorporation has the right to dissent and to receive payment for such shares if the amendment:

Alters or abolishes any preferential right of any outstanding shares having preference; or

Creates, alters, or abolishes any provision or right in respect to the redemption of any outstanding shares; or

Alters or abolishes any preemptive right of such holder to acquire shares or other securities; or

Excludes or limits the right of such holder to vote on any matter, except as such right may be limited by the voting rights given to new shares then being authorized of any existing or new class

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**Marshall Islands**

**Delaware**

*Shareholder s Derivative Actions*

An action may be brought in the right of a corporation to procure a judgment in its favor, by a holder of shares or of voting trust certificates or of a beneficial interest in such shares or certificates. It shall be made to appear that the plaintiff is such a holder at the time of bringing the action and that he was such a holder at the time of the transaction of which he complains, or that his shares or his interest therein devolved upon him by operation of law.

Complaint shall set forth with particularity the efforts of the plaintiff to secure the initiation of such action by the board or the reasons for not making such effort.

Such action shall not be discontinued, compromised or settled, without the approval of the High Court of the Republic of the Marshall Islands.

Attorney s fees may be awarded if the action is successful.

Corporation may require a plaintiff bringing a derivative suit to give security for reasonable expenses if the plaintiff owns less than 5% of any class of stock and the shares have a value of less than \$50,000.

In any derivative suit instituted by a stockholder of a corporation, it shall be asserted in the complaint that the plaintiff was a stockholder of the corporation at the time of the transaction of which he complains or that such stockholder s stock thereafter devolved upon such stockholder by operation of law.

*Class Actions*

Rule 23 of Marshall Islands Rules of Civil Procedure allows for class action suits in the Marshall Islands and is modeled on the federal rule, F.R.C.P. Rule 23.

Rule 23 of the Delaware Chancery Court Rules allows for class action suits in Delaware and is modeled on the federal rule, F.R.C.P. Rule 23.

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**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES**

The following represents the material U.S. federal income tax consequences of the transactions described in the merger agreement, and the acquisition, ownership and disposition of common shares or warrants of GSL Holdings, by investors that acquire common shares or warrants in the Merger. Except for matters where it is explicitly stated that we will not receive an opinion of counsel and except for those matters discussed under the heading "Tax consequences of holding common shares and warrants - U.S. holders - Consequences of possible passive foreign investment company classification" as to which Simpson Thacher is providing an opinion, the statements as to United States federal income tax law, and legal conclusions with respect thereto, set forth below are the opinion of Akin Gump Strauss Hauer & Feld LLP, our United States special tax counsel, as to such United States tax laws, conclusions and material federal income tax consequences of the Merger and the acquisition, ownership and disposition of common shares or warrants of GSL Holdings (subject to the qualifications, assumptions and factual determinations set forth in such statements).

This section is based on current provisions of the Internal Revenue Code of 1986, as amended (the "Code") current and proposed Treasury regulations promulgated thereunder, and administrative and judicial decisions as of the date hereof, all of which are subject to change, possibly on a retroactive basis.

This section does not purport to be a comprehensive description of all of the tax considerations that may be relevant to each investor. This section does not address all aspects of U.S. federal income taxation that may be relevant to any particular investor based on such investor's individual circumstances. In particular, this section considers only investors that will own common shares and warrants as capital assets and does not address the potential application of the alternative minimum tax or the U.S. federal income tax consequences to investors that are subject to special treatment, including:

broker-dealers;

insurance companies;

taxpayers who have elected mark-to-market accounting;

tax-exempt organizations;

regulated investment companies;

real estate investment trusts;

financial institutions or financial services entities ;

taxpayers who hold common shares or warrants as part of a straddle, hedge, conversion transaction or other integrated transaction;

certain expatriates or former long-term residents of the United States; and

U.S. holders (as defined herein) whose functional currency is not the U.S. dollar.

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The following does not address any aspect of U.S. federal gift or estate tax laws, or state, local or non-U.S. tax laws. Additionally, the section does not consider the tax treatment of partnerships or other pass-through entities or persons who hold GSL Holdings' common shares or warrants through such entities. Prospective investors may want to consult their tax advisors regarding the specific tax consequences to them of the mergers and of the acquisition, holding or disposition of common shares or warrants, in light of their particular circumstances.

### **Tax Consequences of the Migratory Merger**

It is a condition to consummation of the Merger that Marathon shall have received an opinion of Akin Gump Strauss Hauer & Feld LLP, special tax counsel to Marathon and GSL Holdings, to the effect that the Migratory Merger should qualify as a reorganization within the meaning of Section 368(a) of the Code, and that no gain or loss should be recognized on the exchange of the Marathon common stock held by the stockholders of

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Marathon for common shares of GSL Holdings. Neither Marathon nor GSL Holdings intends to waive this condition. The opinions of tax counsel neither bind the Internal Revenue Service ( IRS ) nor preclude the IRS or courts from adopting a contrary position. Marathon does not intend to obtain a ruling from the IRS on the tax consequences of the Migratory Merger.

Assuming the Migratory Merger qualifies as a reorganization within the meaning of Section 368(a) of the Code, the federal tax basis of the common shares of GSL Holdings received by the holders of Marathon common stock in the merger will be the same as the adjusted tax basis of the Marathon common stock surrendered in exchange therefor, and the holding period of the common shares of GSL Holdings received in the Migratory Merger by the holders of Marathon common stock will include the period during which such Marathon common stock was held as a capital asset on the date of the Migratory Merger. In addition, assuming the Migratory Merger qualifies as a reorganization, no gain or loss will be recognized as a result of the exchange of warrants of Marathon for warrants of GSL Holdings, the federal tax basis of the warrants of GSL Holdings received by the holders of Marathon warrants in the Migratory Merger will be the same as the adjusted tax basis of the Marathon warrants surrendered in exchange therefor, and the holding period of the warrants of GSL Holdings received in the Migratory Merger by the holders of Marathon warrants will include the period during which such Marathon warrants were held as capital assets on the date of the Migratory Merger.

Marathon believes that it will not incur any substantial amount of U.S. federal income tax as a result of the Migratory Merger. However, it is possible that Marathon could recognize income for U.S. federal income tax purposes as a result of the Migratory Merger, and that the amount of tax on such income could be substantial. Any tax incurred by Marathon as a result of the Migratory Merger would become a liability of GSL Holdings.

Due to the absence of definitive legal authority involving transactions similar to the mergers, it is possible that the IRS could assert that the Migratory Merger does not qualify as a reorganization. If the IRS were successfully so to assert, shareholders of Marathon would recognize gain or loss equal to the difference between their basis in their Marathon common shares and the fair market value of GSL Holdings common shares received in the Migratory Merger, holders of warrants would recognize gain or loss equal to the difference between their basis in their Marathon warrants and the fair market value of GSL Holdings warrants received in the Migratory Merger, and Marathon would recognize gain equal to the excess of GSL Holdings common shares and warrants issued in the Migratory Merger over its basis in its assets.

### **Tax Consequences of the GSL Merger**

There will be no tax consequences to GSL Holdings or its shareholders as a result of the merger of Global Ship Lease with and into GSL Holdings, or the GSL Merger.

### **Taxation of GSL Holdings Following the Merger**

#### *Taxation of operating income*

Unless exempt from U.S. federal income taxation under the rules described below in The Section 883 exemption, a foreign corporation that earns only transportation income is generally subject to U.S. federal income taxation under one of two alternative tax regimes: (1) the 4% gross basis tax or (2) the net basis tax and branch profits tax.

#### *The 4% gross basis tax*

For foreign corporations not engaged in a United States trade or business, the United States imposes a 4% U.S. federal income tax (without allowance of any deductions) on the corporation's United States source gross transportation income. For this purpose, transportation income includes income from the use, hiring or leasing of a vessel, or the performance of services directly related to the use of a vessel (and thus includes time charter and bareboat charter income). The United States source portion of transportation income includes 50% of the income attributable to voyages that begin or end (but not both) in the United States. Generally, no amount of the income

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from voyages that begin and end outside the United States is treated as United States source, and consequently none of the transportation income attributable to such voyages is subject to this 4% tax. Although the entire amount of transportation income from voyages that begin and end in the United States would be United States source, GSL Holdings does not expect to have any transportation income from voyages that begin and end in the United States.

### *The net basis tax and branch profits tax*

GSL Holdings does not expect to engage in any activities in the United States or otherwise have a fixed place of business in the United States. Nonetheless, if this situation were to change or GSL Holdings were to be treated as engaged in a United States trade or business, all or a portion of GSL Holdings' taxable income, including gain from the sale of vessels, could be treated as effectively connected with the conduct of this United States trade or business, or effectively connected income. Any effectively connected income would be subject to U.S. federal corporate income tax (with the highest statutory rate currently being 35%). In addition, an additional 30% branch profits tax would be imposed on GSL Holdings at such time as GSL Holdings' after-tax effectively connected income is viewed as having been repatriated to GSL Holdings' offshore office. The 4% gross basis tax described above is inapplicable to income that is treated as effectively connected income.

### *The Section 883 exemption*

Both the 4% gross basis tax and the net basis and branch profits taxes described above are inapplicable to transportation income that qualifies for exemption under Section 883 of the Code. To qualify for the Section 883 exemption a foreign corporation must, among other things:

be organized in a jurisdiction outside the United States that grants an equivalent exemption from tax to corporations organized in the United States, which we call an Equivalent Exemption;

satisfy one of the following three ownership tests (discussed in more detail below): (1) the more than 50% ownership test, or 50% Ownership Test, (2) the controlled foreign corporation test, or CFC Test or (3) the Publicly Traded Test ; and

meet certain substantiation, reporting and other requirements (which include the filing of United States income tax returns). GSL Holdings will be organized under the laws of the Marshall Islands. Each of the vessels in the contracted fleet will be owned by a separate wholly owned subsidiary organized either in the Marshall Islands or Cyprus, with each of these subsidiaries making elections to be treated as disregarded entities for U.S. federal income tax purposes. The United States Treasury Department recognizes both the Marshall Islands and Cyprus as jurisdictions that grant an Equivalent Exemption; therefore, GSL Holdings should meet the first requirement for the Section 883 exemption. Additionally, GSL Holdings intends to comply with the substantiation, reporting and other requirements that are applicable under Section 883 of the Code. As a result, qualification for the Section 883 exemption will turn primarily on GSL Holdings' ability to satisfy the second requirement enumerated above.

### *The 50% Ownership Test*

In order to satisfy the 50% Ownership Test, a non-United States corporation must be able to substantiate that more than 50% of the value of its stock is owned, directly or indirectly, by qualified shareholders. For this purpose, qualified shareholders are: (1) individuals who are residents (as defined in the regulations promulgated under Section 883 of the Code, or Section 883 Regulations) of countries, other than the United States, that grant an Equivalent Exemption, (2) non-United States corporations that meet the Publicly Traded Test of the Section 883 Regulations and are organized in countries that grant an Equivalent Exemption, or (3) certain foreign governments, non-profit organizations, and certain beneficiaries of foreign pension funds. A corporation claiming the Section 883 exemption based on the 50% Ownership Test must obtain all the facts necessary to satisfy the IRS that the 50% Ownership Test has been satisfied (as detailed in the Section 883 Regulations). After

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the mergers, GSL Holdings does not anticipate that it will be able to satisfy the 50% Ownership Test due to the widely-held ownership of its common shares and its lack of knowledge of the direct and indirect owners of entities which own its common shares.

### *The CFC Test*

The CFC Test requires that the non-United States corporation be treated as a controlled foreign corporation, or CFC, for U.S. federal income tax purposes. As discussed below at Tax consequences of holding common shares and warrants U.S. holders Possible treatment as a controlled foreign corporation, GSL Holdings cannot predict at this time whether it will be a CFC.

### *The Publicly Traded Test*

The Publicly Traded Test requires that one or more classes of equity representing more than 50% of the voting power and value in a non-United States corporation be primarily and regularly traded on an established securities market either in the United States or in a foreign country that grants an Equivalent Exemption.

The Section 883 Regulations provide, in pertinent part, that stock of a non-United States corporation will be considered to be primarily traded on an established securities market in a given 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. Following the mergers, GSL Holdings anticipates that its Class A common shares will be listed on the New York Stock Exchange, and will not be listed on any other securities exchange. Therefore, the Class A common shares should be treated as primarily traded on an established securities market in the United States. Moreover, the Class A common shares will represent more than 50% of both the voting power and value of all classes of shares of GSL Holdings.

The Section 883 Regulations also generally provide that stock will be considered to be regularly traded on an established securities market if one or more classes of stock in the corporation representing in the aggregate more than 50% of the total combined voting power and value of all classes of stock of the corporation are listed on an established securities market during the taxable year. However, even if a class of shares is so listed, it is not treated as regularly traded under the Section 883 Regulations unless (1) trades are made in the common shares on the established securities 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 (2) the aggregate number of common shares traded on the established securities market during the taxable year is at least 10% of the average number of outstanding common shares during that year (as appropriately adjusted in the case of a short taxable year). Even if these trading frequency and trading volume tests are not satisfied with respect to the common shares, however, the Section 883 Regulations provide that such tests will be deemed satisfied if the common shares are regularly quoted by dealers making a market in such common shares. While GSL Holdings anticipates that these trading frequency and trading volume tests will be satisfied each year, satisfaction of these requirements is outside of GSL Holdings control and, hence, no assurances can be provided that GSL Holdings will satisfy the Publicly Traded Test each year.

In addition, even if the primarily and regularly traded tests described above are satisfied, a class of stock will not be treated as primarily and regularly traded on an established securities market if, during more than half the number of days during the taxable year, one or more shareholders holding, directly or indirectly, at least 5% of the vote and value of that class of stock, or 5% Shareholders, own, in the aggregate, 50% or more of the vote and value of that class of stock. This is referred to as the 5% Override Rule. Based on information that Marathon has as to its shareholders, it appears that if such shareholders were to retain GSL Holdings Class A common shares that they receive in the Migratory Merger, the 5% Override Rule likely would apply, and GSL Holdings would not qualify for the Section 883 exemption. However, it is possible that GSL Holdings ownership may

change after the mergers such that the 5% Override Rule may not apply. The ability to avoid application of the 5% Override Rule will be outside of GSL Holdings control and, as a result, no assurances can be provided that GSL Holdings will satisfy the Publicly Traded Test for any year.

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If GSL Holdings were not to qualify for the Section 883 exemption in any year, the United States income taxes that become payable could have a negative effect on GSL Holdings' business, and could result in decreased earnings available for distribution to GSL Holdings' shareholders. Under the charter agreements, the initial Charterer has agreed to provide reimbursement for any such taxes.

### *United States taxation of gain on sale of vessels*

If GSL Holdings qualifies for the Section 883 exemption, then gain from the sale of any vessel may be exempt from tax under Section 883. Even if such gain is not exempt from tax under Section 883, GSL Holdings will not be subject to U.S. federal income taxation with respect to such gain, assuming that GSL Holdings is not, and has never been, engaged in a U.S. trade or business. Under certain circumstances, if GSL Holdings is so engaged, gain on sale of vessels could be subject to U.S. federal income tax.

### *Possibility of taxation as a U.S. corporation*

Under changes made to the Code by the American Jobs Creation Act of 2004, which added Section 7874 of the Code, a foreign corporation which acquires substantially all the properties of a U.S. corporation is generally treated, for U.S. federal tax purposes, as though it were a U.S. corporation if, after the acquisition, at least 80% (by vote or value) of the stock of the foreign corporation is owned by former shareholders of the U.S. corporation by reason of owning stock in the U.S. corporation. It is a condition to Marathon's obligation to consummate the mergers that it shall have received a legal opinion of Akin Gump Strauss Hauer & Feld LLP, special tax counsel to Marathon and GSL Holdings, that this rule should not apply to GSL Holdings following the mergers. It is expected that such opinion will be based on the reasoning that GSL Holdings stock issued to CMA CGM in the GSL Merger should dilute the ownership of former owners of Marathon stock in GSL Holdings below the 80% threshold. The opinions of tax counsel neither bind the IRS nor preclude the IRS or courts from adopting a contrary position. Marathon does not intend to obtain a ruling from the IRS on the application of Section 7874 of the Code to the mergers.

Such opinion will rely, in part, on assumptions, representations and other information as to certain factual matters, including the value per share of GSL Holdings Class B stock and Class C stock relative to the market value per share of GSL Holdings Class A stock. Valuation is a question of fact and is subjective. If the IRS were successfully to challenge the correctness of any such assumptions, representations or other information, it is possible that Section 7874 of the Code could apply.

In addition, there is no definitive legal authority applying the rules under Section 7874 of the Code. Therefore, no assurance can be provided that the IRS will not successfully assert that GSL Holdings should be treated as a U.S. corporation, in which case GSL Holdings' net income would be subject to U.S. federal corporate income tax (with the highest statutory rate currently being 35%).

## **Tax Consequences of Holding Common Shares and Warrants**

### *U.S. holders*

For purposes of this discussion, a U.S. holder is a beneficial owner of GSL Holdings common shares or warrants that is:

an individual who is a citizen or resident of the United States;

a corporation (or other entity taxed as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia;

an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or

a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (ii) it has in effect a valid election to be treated as a U.S. person.



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### *Taxation of dividends paid on common shares*

In the event GSL Holdings makes a distribution with respect to its common shares (including the starting dividend to be declared shortly after the closing of the Merger), subject to the discussions of the passive foreign investment company, or PFIC, and CFC rules below, a U.S. holder will be required to include in gross income as foreign source dividend income the amount of the distribution to the extent paid out of GSL Holdings' current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Distributions in excess of such earnings and profits will be applied against and will reduce the U.S. holder's tax basis in the common shares and, to the extent in excess of such basis, will be treated as gain from the sale or exchange of the common shares.

Subject to the discussions of the PFIC and CFC rules below, in the case of a U.S. holder that is a corporation, dividends that GSL Holdings pays will generally be taxable at regular corporate rates of up to 35% and generally will not qualify for a dividends-received deduction available for dividends received from United States corporations. In the case of certain non-corporate U.S. holders, dividends that GSL Holdings pays prior to January 1, 2011, generally will be subject to tax at a maximum rate of 15%, provided that the U.S. holder meets certain holding period and other requirements and GSL Holdings is not a PFIC in the taxable year in which the dividends are paid or in the immediately preceding taxable year. Legislation has been introduced which, if enacted, would deny the benefit of the 15% maximum rate to dividends that GSL Holdings pays. GSL Holdings cannot predict whether such legislation will be enacted, or, if so, what its effective date might be.

### *Taxation of the disposition of common shares and warrants*

Subject to the discussions of the PFIC and CFC rules below, upon the sale, exchange or other disposition of common shares or warrants, a U.S. holder will recognize capital gain or loss in an amount equal to the difference between the amount realized on the disposition and such U.S. holder's tax basis in its common shares or warrants. The acquisition of common shares pursuant to the exercise of a warrant is not considered a sale, exchange or disposition for these purposes.

Subject to the discussions of the PFIC and CFC rules below, capital gain from the sale, exchange or other disposition of common shares or warrants held more than one year is long-term capital gain, and is eligible for a reduced rate of taxation for individuals. Gain recognized by a U.S. holder on a sale, exchange or other disposition of common shares or warrants generally will be treated as U.S. source income. A loss recognized by a U.S. holder on the sale, exchange or other disposition of common shares or warrants generally will be allocated to U.S. source income. The deductibility of a capital loss recognized on the sale, exchange or other disposition of common shares or warrants may be subject to limitations, and you may want to consult your own tax advisor regarding your ability to deduct any such capital loss in light of your particular circumstances.

### *Exercise, lapse or adjustment of a warrant*

Subject to the discussions of the PFIC and CFC rules below, a U.S. holder generally will not recognize gain or loss upon the exercise of a warrant. Common shares acquired pursuant to the exercise of a warrant will have a tax basis equal to the U.S. holder's tax basis in the warrant increased by the exercise price paid to exercise the warrant. The holding period of such common shares would begin on the date following the date of exercise of the warrant (or possibly the date of exercise).

To the extent a U.S. holder is entitled to receive a fractional interest of a share as a result of the exercise of a warrant, GSL Holdings will round up the number of common shares issued to the U.S. holder to the nearest whole number of common shares. If GSL Holdings has paid or pays dividends with respect to its common shares within three years of such an exercise, it is possible that the difference between the rounded up number of common shares and the fractional interest of the share could be treated as a taxable share dividend. Accordingly, U.S. holders may want to consult their tax advisors regarding the tax consequences of exercising warrants in light of their particular circumstances.

If a warrant is allowed to lapse unexercised, a U.S. holder would have a capital loss equal to such holder's tax basis in the warrant. Such loss will be long-term if the warrant has been held for more than one year.

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*Consequences of possible passive foreign investment company classification*

A non-United States entity treated as a corporation for U.S. federal income tax purposes will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to a look through rule, either: (1) 75% or more of its gross income is passive income or (2) 50% or more of the average value of its assets is attributable to assets that produce passive income or are held for the production of passive income. If a corporation is a PFIC in any taxable year that a person holds stock in the corporation (and was not a qualified electing fund with respect to such year, as discussed below), the stock held by such person will be treated as stock in a PFIC for all future years (absent an election which, if made, may require the electing person to pay taxes in the year of the election).

While there are legal uncertainties involved in this determination, Simpson Thacher has advised GSL Holdings, and will deliver an opinion to the effect, that (1) the charters Global Ship Lease has entered into with CMA CGM should constitute service contracts rather than leases for U.S. federal income tax purposes and (2) as a result, the income from these charters should not constitute passive income, and the assets that GSL Holdings owns for the production of this income should not constitute passive assets. Delivery of such opinion is not a condition to consummation of the Merger. Simpson Thacher's opinion will be based on certain representations that Global Ship Lease will make to counsel including:

the terms of the charters that Global Ship Lease has entered into with CMA CGM were negotiated at arm's-length, and the terms of the charters are customary for long-term charters of comparable vessels;

the terms of the ship management agreements and the global expense agreement that Global Ship Lease has entered into with CMA Ships were negotiated at arm's-length and are reflective of the terms that Global Ship Lease believes could be reached in an agreement between unrelated third parties;

all charters that Global Ship Lease has entered into with CMA CGM and all ship management agreements that Global Ship Lease has entered into with CMA Ships are substantially similar to the charter and the ship management agreement that Global Ship Lease provided to Simpson Thacher for its review;

each vessel in Global Ship Lease's initial and contracted fleet had, at charter inception, a remaining economic useful life of no less than (a) 30 years minus (b) the age of the vessel at charter inception; and

the total payments due to Global Ship Lease under each of the charters with CMA CGM were, at the time each such charter was entered into, substantially in excess of the bareboat charter rate for a comparable vessel.

Simpson Thacher's opinion will also be based on a representation that GSL Holdings and Marathon will make to counsel that, for each of the ship management agreements with CMA Ships, GSL Holdings will enter into replacement ship management agreements with ship managers unrelated to CMA Ships or any of its affiliates on or prior to the expiration of each agreement's initial three year term.

Based on this opinion (and GSL Holdings' expectation that the representations set forth above will apply equally to any future charters that GSL Holdings enters into, that the terms of any future charters that GSL Holdings enters into will contain terms that are substantially similar to those contained in the charter that was provided to Simpson Thacher for its review, that GSL Holdings' income from its chartering activities will be greater than 25% of GSL Holdings' total gross income at all relevant times and that the gross value of GSL Holdings' vessels subject to charter will exceed the gross value of all other assets GSL Holdings owns at all relevant times), GSL Holdings does not expect that it will constitute a PFIC with respect to any taxable year.

There can be no assurance that the representations made by Global Ship Lease, GSL Holdings, and Marathon will prove correct or that the nature of GSL Holdings' assets, income and operations will remain the same in the future (notwithstanding GSL Holdings' current expectations). Additionally, no assurance can be



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given that the IRS or a court of law will accept Simpson Thacher's position that the charters Global Ship Lease has entered into with CMA CGM constitute service contracts rather than leases for U.S. federal income tax purposes, or that future changes of law will not adversely affect Simpson Thacher's opinion. Unlike a ruling, an opinion of counsel represents only that counsel's best legal judgment (based on the law then in effect) and does not bind the IRS or the courts. Any contest with the IRS may materially and adversely impact the market for the common shares and the prices at which common shares trade. In addition, the costs of any contest with the IRS will result in a reduction in cash available for distribution and thus will be borne indirectly by GSL Holdings' shareholders.

If GSL Holdings were to be classified as a PFIC in any year, each U.S. holder of GSL Holdings' common shares or warrants will be subject (in that year and all subsequent years) to special rules with respect to: (1) any excess distribution (generally defined as any distribution received by a shareholder in a taxable year that is greater than 125% of the average annual distributions received by the shareholder in the three preceding taxable years or, if shorter, the shareholder's holding period for the common shares), and (2) any gain realized upon the sale or other disposition of the common shares or warrants. Under these rules:

the excess distribution or gain will be allocated ratably over the U.S. holder's holding period for its common shares or warrants;

the amount allocated to the current taxable year and any year prior to the first year in which GSL Holdings was a PFIC will be taxed as ordinary income in the current year; and

the amount allocated to each of the other taxable years in the U.S. holder's holding period for its common shares or warrants will be subject to U.S. federal income tax at the highest rate in effect for the applicable class of taxpayer for that year, and an interest charge will be added as though the amount of the taxes computed with respect to these other taxable years were overdue.

In order to avoid the application of the PFIC rules, U.S. holders of GSL Holdings' common shares (but not holders of GSL Holdings' warrants) may make a qualified electing fund, or a QEF, election provided in Section 1295 of the Code. In lieu of the PFIC rules discussed above, a U.S. holder that makes a valid QEF election will, in very general terms, be required to include its pro rata share of GSL Holdings' ordinary income and net capital gains, unreduced by any prior year losses, in income for each taxable year (as ordinary income and long-term capital gain, respectively) and to pay tax thereon, even if the amount of that income is not the same as the distributions paid on the common shares during the year. If GSL Holdings later distributes the income or gain on which the U.S. holder has already paid taxes under the QEF rules, the amounts so distributed will not again be subject to tax in the hands of the U.S. holder. A U.S. holder's tax basis in any common shares as to which a QEF election has been validly made will be increased by the amount included in such U.S. holder's income as a result of the QEF election and decreased by the amount of nontaxable distributions received by the U.S. holder. On the disposition of a common share, a U.S. holder making the QEF election generally will recognize capital gain or loss equal to the difference, if any, between the amount realized upon such disposition and its adjusted tax basis in the common share. In general, a QEF election should be made on or before the due date for filing a U.S. holder's federal income tax return for the first taxable year for which GSL Holdings is a PFIC or, if later, the first taxable year for which the U.S. holder held common stock. In this regard, a QEF election is effective only if certain required information is made available by the PFIC. Subsequent to the date that GSL Holdings first determines that it is a PFIC, GSL Holdings will use commercially reasonable efforts to provide any U.S. holder of common shares, upon request, with the information necessary for such U.S. holder to make the QEF election. If GSL Holdings does not believe that it is a PFIC for a particular year but it is ultimately determined that it was a PFIC, it may not be possible for a holder to make a QEF election for such year.

In addition to the QEF election, Section 1296 of the Code permits United States persons to make a mark-to-market election with respect to marketable stock in a PFIC. If a U.S. holder of GSL Holdings' common shares makes a mark-to-market election, such U.S. holder generally would, in each taxable year: (1) include as ordinary income the excess, if any, of the fair market value of the common shares at the end of the taxable year

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over such U.S. holder's adjusted tax basis in the common shares, and (2) be permitted an ordinary loss in respect of the excess, if any, of such U.S. holder's adjusted tax basis in the common shares over their 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 (with the U.S. holder's basis in the common shares being increased and decreased, respectively, by the amount of such ordinary income or ordinary loss). The consequences of this election are generally less favorable than those of a QEF election for U.S. holders that are sensitive to the distinction between ordinary income and capital gain, although this is not necessarily the case. Moreover, the mark-to-market election is currently not available with respect to warrants. U.S. holders may want to consult their tax advisors as to the consequences to them of making a mark-to-market or QEF election, as well as other U.S. federal income tax consequences of holding stock or warrants in a PFIC in light of their particular circumstances.

As previously indicated, if GSL Holdings were to be classified as a PFIC for a taxable year in which GSL Holdings pays a dividend or the immediately preceding taxable year, dividends paid by GSL Holdings would not constitute qualified dividend income and, hence, would not be eligible for the reduced rate of U.S. federal income tax.

*Possible treatment as a controlled foreign corporation*

If more than 50% of the voting power or value of GSL Holdings' shares is owned by U.S. persons (within the meaning of the Code) who each own (directly or through application of certain rules of attribution) 10% or more of the voting power of the shares, or U.S. 10% Holders, GSL Holdings will be a controlled foreign corporation, or a CFC. If GSL Holdings is so treated, there will be additional tax consequences to U.S. 10% Holders. In particular, in each year GSL Holdings is a CFC, such U.S. 10% Holders who directly or indirectly own GSL Holdings shares on the last day of the year will be required to include in ordinary income their pro rata common shares of GSL Holdings' Subpart F income, even if no distributions are made, for each such year. Such inclusions will not be eligible for the 15% maximum rate of tax on qualified dividends received by non-corporate taxpayers. In general, Subpart F income will include dividends, interest, royalties and other passive income of GSL Holdings, but will not include active business income. GSL Holdings believes, and intends to take the position, that the charters Global Ship Lease has entered into should not generate passive income, and thus the income generated by GSL Holdings' charters should not be treated as Subpart F income to its U.S. 10% Holders, although no assurance can be provided that the IRS will not successfully challenge such position.

Additionally, if GSL Holdings is treated as a CFC, gain realized by a U.S. 10% Holder on the sale or other disposition of common shares may be treated as dividend income to the extent of certain accumulated earnings and profits of GSL Holdings. Moreover, for taxable years of a U.S. 10% Holder in which GSL Holdings is a CFC, and taxable years of GSL Holdings that end with or within such taxable years of such U.S. 10% Holders, GSL Holdings generally will not be treated as a PFIC with respect to common shares held by such U.S. 10% Holder (but may be treated as a PFIC with respect to other U.S. holders). However, it appears that a U.S. 10% Holder of a CFC who disposes of warrants (or common shares received upon exercise of warrants) will be subject to tax treatment under the PFIC regime with respect to such warrants. Each U.S. holder may want to consult such U.S. holder's own tax advisor concerning the application of the PFIC and CFC rules with respect to ownership and disposition of warrants to them in light of their particular circumstances.

Under the attribution rules provided in the Code, the holder of an option to acquire common shares (including, for this purpose, a warrant) is deemed to own such common shares for purposes of determining whether such holder is a U.S. 10% Holder and for purposes of determining whether GSL Holdings is a CFC. In applying similar option attribution rules for certain other purposes, the IRS has taken the position (with which some courts have disagreed) that a holder of warrants is treated as owning the common shares subject to such warrants, but that warrants owned by other holders would not be viewed as increasing the total number of outstanding common shares. It is not clear whether, or how, the IRS would seek to apply a similar theory to determine whether a particular shareholder is a U.S. 10% Holder or whether GSL Holdings is a CFC, nor is it

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clear whether such a theory would be upheld. If a similar theory were to apply for this purpose, it could substantially increase the likelihood that GSL Holdings would be a CFC or that a particular U.S. holder would be a U.S. 10% Holder.

GSL Holdings cannot predict at this time whether it will be a CFC, and satisfaction of the CFC definitional test is outside of GSL Holdings control. Each U.S. holder may want to consult such U.S. holder's own tax advisor concerning the application of the controlled foreign corporation rules to them in light of their particular circumstances.

### *Non-U.S. holders*

For purposes of this discussion, a non-U.S. holder is a beneficial owner of GSL Holdings common shares or warrants that is neither a U.S. holder nor a partnership (or any other entity taxed as a partnership for U.S. federal income tax purposes).

A non-U.S. holder will generally not be subject to U.S. federal income tax on dividends paid in respect of the common shares or on gains recognized in connection with the sale or other disposition of the common shares or warrants, provided, in each case, that the non-U.S. holder makes certain tax representations regarding the identity of the beneficial owner of the common shares or warrants, and that such dividends or gains are not effectively connected with the non-U.S. holder's conduct of a United States trade or business.

Dividends or gains that are effectively connected with a non-U.S. holder's conduct of a United States trade or business (and, if required by an applicable income tax treaty, are attributable to a United States permanent establishment) are subject to U.S. federal income tax on a net income basis in the same manner as if the non-U.S. holder were a U.S. holder, and may be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

If GSL Holdings is treated as a U.S. corporation pursuant to Section 7874 of the Code, non-U.S. holders generally will be subject to withholding tax at a rate of 30% on all dividends paid by GSL Holdings, unless a reduced rate of tax is available under a tax treaty.

### **Information Reporting and Back-up Withholding**

U.S. holders generally are subject to information reporting requirements with respect to dividends paid on common shares, and on the proceeds from the sale, exchange or disposition of common shares or warrants. In addition, a holder may be subject to back-up withholding (currently at 28%) on dividends paid on common shares, and on the proceeds from the sale, exchange or other disposition of common shares or warrants, unless the holder provides certain identifying information, such as a duly executed IRS Form W-9 or W-8BEN, or otherwise establishes an exemption. Back-up withholding is not an additional tax and the amount of any back-up withholding will be allowable as a credit against a holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS.

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**EXPERTS**

The combined financial statements of Global Ship Lease, Inc. and its subsidiaries and CMA CGM predecessor and its subsidiaries as of December 31, 2007 and 2006, and for each of the two years in the period ended December 31, 2007 included in this joint proxy statement/prospectus have been so included in reliance on the report of PricewaterhouseCoopers Audit, an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing.

The financial statements of Marathon included in this joint proxy statement/prospectus have been audited by Eisner LLP, independent registered public accounting firm, to the extent and for the period set forth in their report appearing elsewhere in this joint proxy statement/prospectus (which contains an explanatory paragraph describing conditions that raise substantial doubt about Marathon's ability to continue as a going concern as discussed in Note 1 to the financial statements). The financial statements and the report of Eisner LLP are included in reliance upon their report given upon their authority as experts in auditing and accounting.

The sections in this prospectus entitled "Risk Factors - Risks Relating to the Industry of Global Ship Lease", "Management's Discussion and Analysis of Financial Condition and Results of Operations of Global Ship Lease", "The International Containership Industry", "Global Ship Lease Business - General" and "Global Ship Lease Business - Global Ship Lease's Business Strategies" have been reviewed by Drewry Shipping Consultants, which has confirmed to us that they accurately describe the international container shipping market, as indicated in the consent of Drewry Shipping Consultants Limited filed as an exhibit to the registration statement on Form F-4 under the Securities Act, of which this joint proxy statement/prospectus forms a part.

**LEGAL MATTERS**

Seward & Kissel LLP is providing an opinion on the validity of the securities being registered under Marshall Islands law. Certain matters relating to U.S. federal income tax consequences of the Merger and the acquisition, ownership and disposition of common shares or warrants of GSL Holdings will be passed upon for us by Akin Gump Strauss Hauer & Feld LLP. Certain matters relating to the U.S. federal income tax characterization of Global Ship Lease's charters, and the U.S. federal income tax character of the income from these charters and the assets owned for the production of this income (in each case, for purposes of the "passive foreign investment company" provisions of the Code) will be passed upon for us by Simpson Thacher & Bartlett LLP.

**STOCKHOLDER PROPOSALS AND OTHER MATTERS**

Management of Marathon knows of no other matters which may be brought before the Marathon special meeting. If any matter other than the proposed merger or related matters should properly come before the special meeting, however, the persons named in the enclosed proxies will vote proxies in accordance with their judgment on those matters.

Under Delaware law, only business stated in the notice of special meeting may be transacted at the special meeting.

**ENFORCEABILITY OF CIVIL LIABILITIES**

GSL Holdings is a Marshall Islands company and its principal executive offices will be located outside the United States in the United Kingdom. A majority of its directors and officers and certain of the experts named in this joint proxy statement/prospectus reside outside the United States. In addition, a substantial portion of its assets and the assets of its directors, officers and certain of its experts are located outside the United States. As a result, you may have difficulty serving legal process within the United States upon GSL Holdings or any of these persons. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in United States courts against GSL Holdings or these persons in any action, including actions based upon the civil liability provisions of United States federal or state securities laws. Furthermore, it is uncertain whether the courts of the Republic of the Marshall Islands or the United Kingdom would enter judgments in original actions brought in those courts predicated on United States federal or state securities laws.

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**INDUSTRY AND MARKET DATA**

Drewry Shipping Consultants Limited, or Drewry, an independent consulting company, has provided statistical data regarding the containership industry that was used in the discussion of the containership industry contained in Management's Discussion and Analysis of Financial Condition and Results of Operations of Global Ship Lease, The International Containership Industry and Global Ship Lease Business. Drewry has advised us that the statistical information contained herein is drawn from its database and a number of industry sources and that this information is a general, accurate description of the international container shipping industry. Drewry's methodologies for collecting data, however, and therefore the data collected, may differ from those of other sources, and its data cannot reflect all of the actual transactions occurring in the market. We believe that the information and the data provided by Drewry is accurate in all material respects and we have relied upon such information for purposes of this joint proxy statement/prospectus.

**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

GSL Holdings has filed a registration statement on Form F-4 to register the issuance of GSL Holdings' securities to Marathon securityholders in the Merger. This joint proxy statement/prospectus is a part of that registration statement and constitutes a prospectus of GSL Holdings in addition to a proxy statement of Marathon for the Marathon special meeting. As allowed by SEC rules, this joint proxy statement/prospectus does not contain all of the information that you can find in the registration statement or the exhibits to the registration statement. You should refer to the registration statement and its exhibits for additional information that is not contained in this joint proxy statement/prospectus.

Marathon is subject to the informational requirements of the Securities Exchange Act, and is required to file reports, any proxy statements and other information with the SEC. Any reports, statements or other information that Marathon files with the SEC, including this joint proxy statement/prospectus may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of this material can also be obtained upon written request from the Public Reference Section of the SEC at its principal office in Washington, D.C. 20549, at prescribed rates or from the SEC's website on the Internet at [www.sec.gov](http://www.sec.gov), free of charge. Please call the SEC at 1-800-SEC-0330 for further information on public reference rooms.

Neither Marathon nor GSL Holdings has authorized anyone to provide you with information that differs from that contained in this joint proxy statement/prospectus. You should not assume that the information contained in this joint proxy statement/prospectus is accurate as on any date other than the date of the joint proxy statement/prospectus, and neither the mailing of this joint proxy statement/prospectus to Marathon stockholders nor the consummation of the Merger shall create any implication to the contrary.

This joint proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is not lawful to make any such offer or solicitation in such jurisdiction.

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**GLOSSARY OF SHIPPING TERMS**

The following are definitions of certain terms that are commonly used in the shipping industry and in this joint proxy statement/prospectus.

*Annual Survey.* The inspection of a ship pursuant to international conventions, by a classification society surveyor, on behalf of the flag state, that takes place every year.

*Backhaul.* The weaker leg of a round trip voyage with less volume than the stronger headhaul leg or the return movement of a container often empty from a destination of unloading to a point of reloading of cargo.

*Ballast.* Weight in solid or liquid form, such as sea water, taken on a ship to increase draught, to change trim, or to improve stability on a voyage in which a ship is not laden with cargo.

*Bareboat Charter.* A charter of a ship under which the shipowner is usually paid a fixed amount of charterhire for a certain period of time during which the charterer is responsible for the ship operating expenses and voyage expenses of the ship and for the management of the ship, including crewing. A bareboat charter is also known as a demise charter or a time charter by demise.

*Bunkers.* Heavy fuel and diesel oil used to power a ship's engines.

*Capacity.* The nominal carrying capacity of the ship.

*Charter.* The hire of a ship for a specified period of time or a particular voyage to carry a cargo from a loading port to a discharging port.

*Charterer.* The party that hires a ship for a period of time or for a voyage.

*Charterhire.* A sum of money paid to the shipowner by a charterer for the use of a ship.

*Charter owners.* A company that owns containerships and charters out its ships to container shipping companies rather than operating the ships for liner services; also known as shipowner.

*Charter rate.* The rate charged by charter owners normally as a daily rate for the use of their containerships by container shipping companies. Charter rates can be on a time charter or bareboat charter basis.

*Classification society.* An independent organization that certifies that a ship has been built and maintained according to the organization's rules for that type of ship and complies with the applicable rules and regulations of the country of the ship's registry and the international conventions of which that country is a member. A ship that receives its certification is referred to as being in-class.

*Container shipping company.* A shipping company operating liners services using its own or chartered ships with fixed port of call schedules. Also known as a liner company or a container operator.

*Drydocking.* Placing the ship in a drydock in order to check and repair areas and parts below the water line. During drydockings, which are required to be carried out periodically, certain mandatory classification society inspections are carried out and relevant certifications are issued. Drydockings for containerships are generally required once every three to five years, one of which must be a Special survey.

*Freight rate.* The amount charged by container shipping companies for transporting cargo, normally as a rate per 20-foot or 40-foot container.

*Geared Containerships.* Self-sustained containerships, which are able to load and discharge containers with their own onboard cranes and derricks.

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*Gross tonnage.* A unit of measurement of the entire internal cubic capacity of the ship expressed in tons of 100 cubic feet to the ton.

*Headhaul.* The stronger leg of a round trip voyage with greater volume than the weaker backhaul or the outgoing goods to be delivered from a point of origin.

*Hull.* The main body of the ship without engines, buildings and cranes.

*IMO.* International Maritime Organization, a United Nations agency that issues international standards for shipping.

*Intermediate survey.* The inspection of a ship by a classification society surveyor that takes place 24 to 36 months after each special survey.

*Newbuilding.* A ship on order, construction or just delivered.

*Off-hire.* The period in which a ship is not available for service under a time charter and, accordingly, the charterer generally is not required to pay the hire rate. Off-hire periods can include days spent on repairs, drydocking and surveys, whether or not scheduled.

*Protection and indemnity insurance.* Insurance obtained through a mutual association formed by shipowners to provide liability indemnification protection from various liabilities to which they are exposed in the course of their business, and which spreads the liability costs of each member by requiring contribution by all members in the event of a loss.

*Scrapping.* The sale of a ship for conversion into scrap metal.

*Ship operating expenses.* The costs of operating a ship, primarily consisting of crew wages and associated costs, insurance premiums, ship management fee, lubricants and spare parts, and repair and maintenance costs. Ship operating expenses exclude fuel cost, port expenses, agents fees, canal dues and extra war risk insurance, as well as commissions, which are included in voyage expenses.

*Ship management.* The provision of shore-based ship management services related to crewing, technical and safety management and the compliance with all government, flag state, class certification and international rules and regulations.

*Sister ships.* Ships of the same class and specifications typically built at the same shipyard.

*Special survey.* The inspection of a ship by a classification society surveyor that takes place every five years, as part of the recertification of the ship by a classification society.

*Spot market.* The market for immediate chartering of a ship, usually for single voyages.

*TEU.* A 20-foot equivalent unit, the international standard measure for containers and containership capacity.

*Time charter.* A charter under which the shipowner hires out a ship for a specified period of time. The shipowner is responsible for providing the crew and paying ship operating expenses while the charterer is responsible for paying the voyage expenses and additional voyage insurance. The shipowner is paid charterhire, which accrues on a daily basis.

*Voyage expenses.* Expenses incurred due to a ship's voyage from a loading port to a discharging port, such as bunkers cost, port expenses, agents fees, canal dues, extra war risk insurance and commissions.

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*Unaudited*

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**Report of Independent Registered Public Accounting Firm**

**To the Board of Directors**

**Global Ship Lease, Inc.**

In our opinion, the accompanying combined balance sheets and the related combined statements of income, statements of cash flows, and statements of stockholder's equity present fairly, in all material respects, the combined financial position of Global Ship Lease, Inc. and its subsidiaries and CMA CGM Predecessor and its subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers

/s/ PricewaterhouseCoopers

April 14, 2008

*PricewaterhouseCoopers is represented by PricewaterhouseCoopers Audit, 63 rue de Villiers 92200 Neuilly-sur-Seine, France*

**Table of Contents****Global Ship Lease, Inc.****Combined Balance Sheets**

(Expressed in thousands of U.S. dollars)

The following combined financial statements are not representative of Global Ship Lease's future operations as Global Ship Lease will derive its revenue only from chartering out its vessels under long-term fixed rate time-charters. Please refer to the GSL Holdings unaudited pro forma financial information included elsewhere in this joint proxy statement/prospectus, which reflects the pro forma effects of these charters and related agreements on Global Ship Lease's results of operations and financial conditions.

|   | Note | December 31,<br>2007 | December 31,<br>2006 |
|---|------|----------------------|----------------------|
| <b>Assets</b>   |      |                      |                      |
| Cash and cash equivalents   |      | \$ 1,891             | \$                   |
| Restricted cash   | 3    | 188,000              |                      |
| Trade accounts receivable   | 4    | 185                  | 27,214               |
| Inventories   |      | 1,613                | 4,002                |
| Prepaid expenses and other receivables  |      | 425                  |                      |
| Deferred financing costs  | 5    | 752                  | 870                  |
| <b>Total Current assets</b>   |      | <b>192,866</b>       | <b>32,086</b>        |
| Vessels at cost, less accumulated depreciation  | 6    | 475,299              | 286,229              |
| Other fixed assets  |      | 33                   |                      |
| Other assets  | 7    | 1,297                | 24,743               |
| Deferred financing costs  | 5    | 5,130                | 1,409                |
| <b>Total non-current assets</b>   |      | <b>481,759</b>       | <b>312,381</b>       |
| <b>Total Assets</b>   |      | <b>\$ 674,625</b>    | <b>\$ 344,467</b>    |
| <b>Liabilities and Stockholder's Equity</b>   |      |                      |                      |
| <b>Liabilities</b>  |      |                      |                      |
| Current instalments of long term debt   | 10   | \$ 401,100           | \$ 17,819            |
| Accounts payable  |      | 502                  | 19,648               |
| Accrued expenses and other liabilities  |      | 6,098                | 376                  |
| Amounts due to group companies  | 8    | 1,389                |                      |
| <b>Total Current liabilities</b>  |      | <b>409,089</b>       | <b>37,843</b>        |
| Long term debt  | 8    |                      | 121,339              |
| Amounts due to group companies  | 8    | 176,875              |                      |
| Other liabilities   | 7    | 1,186                | 15,289               |
| <b>Total long-term liabilities</b>  |      | <b>178,061</b>       | <b>136,628</b>       |
| <b>Total Liabilities</b>  |      | <b>\$ 587,150</b>    | <b>\$ 174,471</b>    |
| Commitments and contingencies   | 13   |                      |                      |
| <b>Stockholder's Equity</b>   |      |                      |                      |
| Common stock - authorised 100 shares \$.01 par value; 100 shares issued and outstanding |      |                      |                      |
| Accumulated deficit   | 1    | (96,925)             |                      |

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|   |   |            |            |
|---|---|------------|------------|
| Net income for the year                           |   | 16,776     | 32,677     |
| Due to CMA CGM                                    | 1 | 162,885    | 115,350    |
| Accumulated other comprehensive income            | 9 | 4,739      | 21,969     |
| <b>Total Stockholder s Equity</b>                 |   | 87,475     | 169,996    |
| <b>Total Liabilities and Stockholder s Equity</b> |   | \$ 674,625 | \$ 344,467 |

See accompanying notes to combined financial statements.

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**Table of Contents****Global Ship Lease, Inc.****Combined Statements of Income**

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

The following combined financial statements are not representative of Global Ship Lease's future operations as Global Ship Lease will derive its revenue only from chartering out its vessels under long-term fixed rate time-charters. Please refer to the GSL Holdings unaudited pro forma financial information included elsewhere in this joint proxy statement/prospectus, which reflects the pro forma effects of these charters and related agreements on Global Ship Lease's results of operations and financial conditions.

|   | Note | Year to<br>December 31,<br>2007 | Year to<br>December 31,<br>2006 | Year to<br>December 31,<br>2005 |
|---|------|---------------------------------|---------------------------------|---------------------------------|
| <b>Operating Revenues</b>   |      |                                 |                                 |                                 |
| Voyage revenue  |      | \$ 332,186                      | \$ 299,599                      | \$ 111,599                      |
| Time charter revenue  | 2(g) | 2,909                           |                                 |                                 |
|   |      | 335,095                         | 299,599                         | 111,599                         |
| <b>Operating expenses</b>   |      |                                 |                                 |                                 |
| Voyage expenses   |      | (249,457)                       | (213,143)                       | (70,166)                        |
| Vessel operating expenses   |      | (23,959)                        | (22,628)                        | (13,667)                        |
| Depreciation  | 5    | (16,119)                        | (16,664)                        | (7,201)                         |
| General and administrative  |      | (17,751)                        | (11,331)                        | (2,655)                         |
| Other operating income (expense)                                  |      | 2,341                           | 11,908                          | (2,497)                         |
| Total operating expenses  |      | (304,945)                       | (251,858)                       | (96,187)                        |
| <b>Operating Income</b>   |      | 30,150                          | 47,741                          | 15,411                          |
| <b>Non operating income (expense)</b>                             |      |                                 |                                 |                                 |
| Interest income   |      | 207                             |                                 |                                 |
| Interest expense  |      | (13,561)                        | (15,064)                        | (6,406)                         |
| <b>Income before Income Taxes</b>                                 |      | 16,796                          | 32,677                          | 9,005                           |
| Income taxes  | 2(d) | (20)                            |                                 |                                 |
| <b>Net Income</b>   |      | \$ 16,776                       | \$ 32,677                       | \$ 9,005                        |
| Earnings per common share (basic and diluted)                     |      | \$ 168                          | \$ 327                          | \$ 90                           |
| Weighted average number of shares outstanding (basic and diluted) |      | 100                             | 100                             | 100                             |

See accompanying notes to combined financial statements

**Table of Contents****Global Ship Lease, Inc.****Combined Statements of Cash Flows**

(Expressed in thousands of U.S. dollars)

The following combined financial statements are not representative of Global Ship Lease's future operations as Global Ship Lease will derive its revenue only from chartering out its vessels under long-term fixed rate time-charters. Please refer to the GSL Holdings unaudited pro forma financial information included elsewhere in this joint proxy statement/prospectus, which reflects the pro forma effects of these charters and related agreements on Global Ship Lease's results of operations and financial conditions.

|   | Year ended<br>December 31,<br>2007 | Year ended<br>December 31,<br>2006 | Year ended<br>December 31,<br>2005 |
|---|------------------------------------|------------------------------------|------------------------------------|
| <b>Cash Flows from Operating Activities</b>   |                                    |                                    |                                    |
| Net income  | \$ 16,776                          | \$ 32,677                          | \$ 9,005                           |
| <b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</b> |                                    |                                    |                                    |
| Depreciation  | 16,119                             | 16,664                             | 7,201                              |
| Amortization of deferred financing costs  | 2,194                              | 463                                | 218                                |
| Change in fair value of certain financial derivative instruments                        | 9,132                              | (10,021)                           | 9,030                              |
| Settlements of hedge which do not qualify to hedge accounting                           | 58                                 | (6,906)                            | (9,520)                            |
| Decrease (Increase) in other receivables and prepaid expenses                           | 26,574                             | (19,165)                           | (2,277)                            |
| Decrease (Increase) in inventories  | 2,390                              | (1,232)                            | (1,673)                            |
| (Decrease) Increase in accounts payable and other liabilities                           | (11,918)                           | 11,380                             | 5,457                              |
| Periodic costs relating to drydocks   | (4,738)                            | (1,016)                            |                                    |
| <b>Net Cash Provided by Operating Activities</b>  | <b>56,587</b>                      | <b>22,844</b>                      | <b>17,441</b>                      |
| <b>Cash Flows from Investing Activities</b>   |                                    |                                    |                                    |
| Acquisition of Delmas vessels   |                                    | (107,352)                          |                                    |
| Acquisition of other vessels  | (183,713)                          | (5,851)                            | (76,000)                           |
| Purchase of other fixed assets  | (36)                               |                                    |                                    |
| Settlements of hedge which do not qualify to hedge accounting                           | (58)                               | 6,906                              | 9,520                              |
| <b>Net Cash Used in Investing Activities</b>  | <b>(183,807)</b>                   | <b>(106,297)</b>                   | <b>(66,480)</b>                    |
| <b>Cash Flows from Financing Activities</b>   |                                    |                                    |                                    |
| Proceeds from debt  | 401,100                            | 57,874                             | 80,610                             |
| Variation in restricted cash  | (188,000)                          |                                    |                                    |
| Issuance costs of debt  | (5,892)                            | (707)                              | (1,366)                            |
| Proceeds from shareholder loans   | 176,875                            |                                    |                                    |
| (Decrease) increase in amount due to CMA CGM.   | (11,881)                           | 110,005                            | (28,194)                           |
| Deemed distribution to CMA CGM  | (96,925)                           |                                    |                                    |
| Repayments of long term debt  | (146,166)                          | (19,095)                           | (1,800)                            |
| Repayments of capital lease obligations   |                                    | (64,624)                           | (210)                              |
| <b>Net Cash Provided by Financing Activities</b>  | <b>129,111</b>                     | <b>83,453</b>                      | <b>49,040</b>                      |
| <b>Net Increase in Cash and Cash Equivalents</b>  | <b>1,891</b>                       |                                    |                                    |
| <b>Cash and Cash Equivalents at beginning of Period</b>                                 |                                    |                                    |                                    |

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|   |    |        |    |        |    |       |
|---|----|--------|----|--------|----|-------|
| <b>Cash and Cash Equivalents at end of Period</b> | \$ | 1,891  | \$ | \$     |    |       |
| <b>Supplemental Information</b>                   |    |        |    |        |    |       |
| Total interest paid during period                 | \$ | 10,102 | \$ | 12,958 | \$ | 6,200 |
| Total tonnage tax paid                            | \$ | 310    | \$ | 200    | \$ | 150   |

See accompanying notes to combined financial statements.

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**Table of Contents****Global Ship Lease, Inc.****Combined Statements of Stockholder's Equity**

(Expressed in thousands of U.S. dollars, except number of common stock)

The following combined financial statements are not representative of Global Ship Lease's future operations as Global Ship Lease will derive its revenue only from chartering out its vessels under long-term fixed rate time-charters. Please refer to the GSL Holdings unaudited pro forma financial information included elsewhere in this joint proxy statement/prospectus, which reflects the pro forma effects of these charters and related agreements on Global Ship Lease's results of operations and financial conditions.

|   | Number of<br>Common<br>Stock at |                 | Net<br>Income<br>for the<br>year | Due to<br>CMA CGM | Accumulated<br>Other<br>comprehensive<br>Income | Total<br>Shareholders<br>Equity |
|---|---------------------------------|-----------------|----------------------------------|-------------------|---|---------------------------------|
|   | \$.01<br>par value              | Common<br>Stock | Accumulated<br>Deficit           |                   |   |                                 |
| <b>Balance at December 31, 2004</b>                       |                                 |                 | \$ 1,686                         | \$ 22,848         | \$ (1,028)                                      | \$ 23,506                       |
| Change in amount due to CMA CGM                           |                                 |                 |                                  | (28,194)          |   | (28,194)                        |
| Allocation of prior year net income                       |                                 |                 | (1,686)                          | 1,686             |   |                                 |
| Net income for the period                                 |                                 |                 | 9,005                            |                   |   | 9,005                           |
| Effect of derivative instruments                          |                                 |                 |                                  |                   | 14,512  | 14,512                          |
| Effect of currency translation adjustment                 |                                 |                 |                                  |                   | (384)   | (384)                           |
| <b>Balance at December 31, 2005</b>                       |                                 |                 | 9,005                            | (3,660)           | 13,100  | 18,445                          |
| Change in amount due from CMA CGM                         |                                 |                 |                                  | 110,005           |   | 110,005                         |
| Allocation of prior year net income                       |                                 |                 | (9,005)                          | 9,005             |   |                                 |
| Net income for the period                                 |                                 |                 | 32,677                           |                   |   | 32,677                          |
| Effect of derivative instruments                          |                                 |                 |                                  |                   | (3,554)   | (3,554)                         |
| Effect of currency translation adjustment                 |                                 |                 |                                  |                   | 12,423  | 12,423                          |
| <b>Balance at December 31, 2006</b>                       |                                 |                 | 32,677                           | 115,350           | 21,969  | 169,996                         |
| Incorporation of Global Ship Lease, Inc.                  | 100                             |                 |                                  |                   |   |                                 |
| Change in amount due from CMA CGM                         |                                 |                 |                                  | (11,881)          |   | (11,881)                        |
| Allocation of prior year net income                       |                                 |                 | (32,677)                         | 32,677            |   |                                 |
| Net income for the period                                 |                                 |                 | 16,776                           |                   |   | 16,776                          |
| Effect of derivative instruments                          |                                 |                 |                                  |                   | (211)   | (211)                           |
| Effect of currency translation adjustment                 |                                 |                 |                                  |                   | 9,509   | 9,509                           |
| Other effect of the transfer of the initial<br>10 vessels |                                 |                 |                                  | 26,739            | (26,528)  | 211                             |
| Deemed distribution to CMA CGM                            |                                 |                 | (96,925)                         |                   |   | (96,925)                        |
| <b>Balance at December 31, 2007</b>                       | 100                             |                 | \$ (96,925)                      | \$ 16,776         | \$ 4,739  | \$ 87,475                       |

See accompanying notes to combined financial statements.

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**Global Ship Lease, Inc.**

**Notes to the Combined Financial Statements**

(Expressed in thousands of U.S. dollars)

**1. Nature of Operations and Basis of Preparation**

Global Ship Lease, Inc. ( the Company ) was incorporated in the Republic of the Marshall Islands on May 3, 2007 as a wholly owned subsidiary of CMA CGM S.A or CMA CGM for the purpose of establishing a business of owning and chartering out containerships under long term time charters. It has contracted under an asset purchase agreement dated December 5, 2007 and subject to certain conditions, to acquire seventeen containerships from or CMA CGM. Of these, 10 were purchased by the Company during December 2007, and two in January 2008. Four of the remaining vessels are anticipated to be purchased in December 2008 and the last vessel in July 2009. All vessels in the initial and contracted fleet will be time chartered to CMA CGM for terms ranging from five to seventeen years and the Company s ongoing operations will solely consist of chartering vessels to third party shipping companies, although initially only to CMA CGM.

CMA CGM is a privately owned company incorporated in France. It is the third largest container shipping company in the world. Its business is different to that of the Company going forward. Operating revenues comprised mainly freight revenue generated by the containerized transportation of a broad range of industrial and customer goods. CMA CGM operates a global network of shipping lines which services a wide variety of ports in major markets. An integrated fleet of vessels is dedicated to these lines. CMA CGM operations are supported by a network of owned and third party shipping agencies which perform most of the sales and marketing functions as well as managing customer relationships.

These combined financial statements have been prepared to reflect:

- (a) the carve-out, until the transfer to the Company, of the initial 10 second hand vessels, of their financial position, results of operations and cash flows as they were operated by CMA CGM providing cargo carrying container shipping services on a standalone basis.
- (b) the carve-out, until the transfer to the Company, of the two new vessels which were in CMA CGM s ownership for the last few days of 2007 prior to their purchase by the Company in January 2008.

(a) and (b) together are referred to as the Predecessor Group

- (c) the result from the transfer date of the initial 10 second hand vessels operated by the Company in its business of chartering them out under time charters.

These combined financial statements have been prepared from:

- (a) the historical accounting records of CMA CGM; and
- (b) the accounting records of Global Ship Lease, Inc. and its subsidiaries, since inception on May 3, 2007, including following the delivery of the vessels to the Global Ship Lease, Inc. Group in December 2007.

**Table of Contents****Global Ship Lease, Inc.****Notes to the Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

**Fleet**

The following table provides information about the initial fleet reflected in these combined financial statements:

| <b>Vessel Name</b>   | <b>Capacity in<br/>TEUs<sup>(1)</sup></b> | <b>Year<br/>Built</b> | <b>Year of acquisition<br/>by CMA CGM</b> | <b>Purchase Date by GSL</b> |
|----------------------|---|-----------------------|---|-----------------------------|
| Ville d Orion        | 4,113                                     | 1997                  | 2005                                      | December 2007               |
| Ville d Aquarius     | 4,113                                     | 1996                  | 2005                                      | December 2007               |
| CMA CGM Matisse      | 2,262                                     | 1999                  | 1999                                      | December 2007               |
| CMA CGM Utrillo      | 2,262                                     | 1999                  | 1999                                      | December 2007               |
| MOL Rainbow          | 2,207                                     | 2003                  | 2006                                      | December 2007               |
| Julie Delmas         | 2,207                                     | 2002                  | 2006                                      | December 2007               |
| Kumasi               | 2,207                                     | 2002                  | 2006                                      | December 2007               |
| Marie Delmas         | 2,207                                     | 2002                  | 2006                                      | December 2007               |
| CMA CGM La Tour      | 2,272                                     | 2001                  | 2001                                      | December 2007               |
| CMA CGM Manet        | 2,272                                     | 2001                  | 2001                                      | December 2007               |
| CMA CGM Alcazar      | 5,100                                     | 2007                  | 2007                                      | January 2008                |
| CMA CGM Château d If | 5,100                                     | 2007                  | 2007                                      | January 2008                |

<sup>(1)</sup> Twenty foot Equivalent Units.

The following table provides information about the contracted fleet not reflected in these combined financial statements:

| <b>Vessel Name</b> | <b>Capacity<br/>in TEUs</b> | <b>Year<br/>Built</b> | <b>Purchase Date by GSL</b> |
|--------------------|-----------------------------|-----------------------|-----------------------------|
| Hull 4.126         | 10,960                      | 2008                  | December 2008 (estimated)   |
| CMA CGM Jamaica    | 4,298                       | 2006                  | December 2008 (estimated)   |
| CMA CGM Sambhar    | 4,045                       | 2006                  | December 2008 (estimated)   |
| CMA CGM America    | 4,045                       | 2006                  | December 2008 (estimated)   |
| CMA CGM Berlioz    | 6,627                       | 2001                  | July 2009 (estimated)       |

**Table of Contents****Global Ship Lease, Inc.****Notes to the Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

**Net Investment by Predecessor Group**

The 10 second hand vessels in the initial fleet during the period of the Predecessor Group did not in the past belong to a separate legal group, nor was it owned by a separate legal entity or operated as a discrete unit. Accordingly, there was no separate share capital and reserves for the periods covered by these combined financial statements up to the purchase of these vessels by the Company. The net investment by the Predecessor Group during this period of operations has been shown on the balance sheet as an amount due to CMA CGM and included within equity. This balance reflects the accumulated net investment by CMA CGM, including the accumulated net income relating to prior periods, and is impacted by all transactions as CMA CGM in effect was the source of finance for all operating, investing and financing transactions. The variation in net investment can be analyzed as follows:

|   | Year ended<br>December 31,<br>2007 | Year ended<br>December 31,<br>2006 | Year ended<br>December 31,<br>2005 |
|---|------------------------------------|------------------------------------|------------------------------------|
| Net cash provided by operating activities of the Predecessor Group  | \$ (53,664)                        | \$ (22,841)                        | (17,441)                           |
| Settlements of hedges which do not qualify for hedge accounting     | 58                                 | (6,906)                            | (9,520)                            |
| Acquisition of vessels by the Predecessor Group                     | 183,634                            | 113,202                            | 76,000                             |
| Proceeds from long-term debt of Predecessor Group                   |                                    | (57,167)                           | (79,244)                           |
| Repayments of long-term debt by the Predecessor Group               | 146,166                            | 83,719                             | 2,010                              |
| Net book value of the initial 10 vessels transferred to the Company | (288,075)                          |                                    |                                    |
| <b>Change in amount due to CMA CGM</b>                              | <b>\$ (11,881)</b>                 | <b>\$ 110,005</b>                  | <b>\$ (28,194)</b>                 |

The average balance due CMA CGM for the year ended December 31, 2007 and 2006 amounted to \$139,118 and \$19,188, respectively.

The Predecessor Group has not been charged with any financing costs in respect of amounts included in the due CMA CGM during the period covered by this report. Changes in due to CMA CGM represent transfers so as to balance out the total assets and total liabilities of the related periods, taking into account the net cash provided(used) by operating activities, the net cash provided(used) by investing activities and the net cash provided(used) by financing activities, as well as the variation in other comprehensive income for these periods. Treasury functions of CMA CGM are managed centrally, and accordingly no cash and cash equivalents have been recognized, apart from cash held by Global Ship Lease, Inc. and its subsidiaries as of December 31, 2007 as none will be transferred to the Predecessor Group from CMA CGM.

All funding of the Predecessor Group's operations during the period of the combined financial statements has been assumed to be by cash flows generated by operations, bank loans specifically related to the acquisition of the ships, and due to CMA CGM as a net investment in equity.

The Predecessor Group was not a separate legal entity required to file separate tax returns. However, for purposes of these combined financial statements, the Predecessor Group has provided for taxes on a separate return basis as if it had been an independent tax paying entity through out the period. The Predecessor Group is liable for a tax based on the tonnage of each vessel where freight revenue and operating expenses do not generate any tax basis.

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**Global Ship Lease, Inc.**

**Notes to the Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

**Statement of income accounts**

Voyage revenue and voyage expenses have been allocated to the Predecessor Group by direct attribution through the use of the comprehensive information system used by CMA CGM. For each accounting transaction, specific information is recorded, including the port calls (localization and date) and the vessel operated. Therefore, the Predecessor Group was able to specifically identify voyage revenues, voyage expenses, vessel expenses and depreciation by vessel.

General and administrative expenses, as well as logistic, container costs and insurance expenses, were allocated to the Predecessor Group based on the number of loaded containers carried onboard each vessel. This allocation method is considered to be commonly used in the container shipping industry and is considered by management to be a reasonable basis for determining the attributable costs of the respective operations. General and administrative expenses, consisting primarily of salaries and other employee related costs, office rent, legal and professional fees, travel and entertainment were allocated based on the 10 second hand vessels' proportionate share of Predecessor Group's general and administrative expenses for each of the periods presented.

During the periods presented, CMA CGM was subject to various tonnage tax regimes relating to the container shipping business. Accordingly, taxes for the Predecessor Group is based on the tonnage of each vessel and could therefore be allocated directly to each vessel and included within general and administrative expenses.

Derivative financial instruments mainly relate to bunker fuel. The allocation of the accounting impact of such derivatives is based on the ratio of the actual fuel consumption for the vessel in the Predecessor Group's fleet compared to the actual fuel consumption of the CMA CGM total fleet. This ratio is considered by management to be a reasonable basis for determining the attributable costs of the respective operations.

Other operating income(expense) relates to bunker hedges that did not qualify for hedge accounting and have been allocated based on the ratio of the actual fuel consumption for the vessels in the Predecessor Group's fleet compared to the actual fuel consumption of the CMA CGM total fleet. This ratio is considered by management to be a reasonable basis for determining the attributable costs of the respective operations.

Interest expense for the Predecessor Group was directly derived from the actual debt on each vessel operated by the Predecessor Group.

**Balance Sheet**

Inventories, vessels at cost, corresponding depreciation and debt have been allocated on a vessel by vessel basis, based on direct attribution through the use of a comprehensive integrated information system.

Voyage receivables, prepaid expenses, voyage payables, deferred income and cargo claims were allocated based on the days sales outstanding, (DSO) days payable outstanding, (DPO), calculated on a line by line basis, as DSO and DPO may vary depending upon the trade lane. DPO may also vary depending upon the nature of the related cost (bunker, handling, port cost) and therefore, has been calculated by nature. This ratio is considered by management to be a reasonable basis for determining the attributable costs of the respective operations. Voyage receivables and payables from/to shipping agencies relate only to balances with third parties.

Management believes that all allocations reasonably present the financial position, results of operations and cash flows of the Group.

The functional currency of the Company has been determined as the United States dollar although the functional currency of a minority of the businesses of the Predecessor Group was not in United States dollars.

**Table of Contents****Global Ship Lease, Inc.****Notes to the Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

**Transfer to Global Ship Lease Inc. and its subsidiaries**

Upon transfer of the 10 second hand vessels to the Company at various dates in December 2007, the amount of retained other comprehensive income reflected within the balance sheet relating to the period up to each vessel's transfer has been reversed against the amount due to CMA CGM within equity as it is not being carried forward in the combined balance sheet. This reversal has been determined on a vessel by vessel basis up to the transfer date from Group Predecessor to Global Ship Lease and its subsidiaries. It is presented in the line item "Other effect of the transfer of the ten vessels" included in the Combined Statements of Stockholder's Equity and analyses as follows:

|   | <b>Amounts related to the ten<br/>vessels transferred and not<br/>carried forward</b> |
|---|---|
| Accumulated currency translation adjustment | (10,747)  |
| Accumulated hedging cash flow reserve       | (15,781)  |
|   | (26,528)  |

The residual amount due to CMA CGM at December 31, 2007 in equity mainly reflects the cost of the two vessels to be delivered and paid for in January 2008 by Global Ship Lease, Inc. and its subsidiaries together with the net income relating to vessels during the period they were operated by the Predecessor Group.

**2. Significant Accounting Policies****(a) Basis of Combination**

The accompanying combined financial statements include the accounts of the Company and its wholly-owned subsidiaries, together with the carve-out information during the Predecessor Group period of operations referred to in note 1. All intercompany accounts and transactions have been eliminated in consolidation.

**(b) Use of estimates**

The preparation of combined financial statements in conformity with United States GAAP requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and the accompanying notes. Actual results could differ from those estimates. Allocation methodologies used to prepare the combined financial statements are based on estimates and have been described in the notes, where appropriate.

**(c) Vessels**

Vessels are recorded at the historical acquisition or manufacturing cost, less accumulated depreciation and impairment loss, if any. However, as the Company and CMA CGM are considered to be entities under common control at the time vessels were acquired by the Company from CMA CGM, the vessels are recognised based on their carrying amount in the financial statements of CMA CGM rather than at the purchase price paid by the Company to CMA CGM. The difference between the purchase price payable to CMA CGM and the carrying amount is considered a deemed distribution to CMA CGM and recognised within accumulated deficit.

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Borrowing costs incurred for the construction of vessels are capitalized during the construction period. Interests capitalized in the period ended December 31, 2007 and 2006 were \$833 and nil, respectively. Other borrowing costs are expensed as incurred. Expenditures that extend the useful life of vessels are capitalized as major repairs.

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**Table of Contents**

**Global Ship Lease, Inc.**

**Notes to the Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

Vessels are depreciated to their residual value which is based on light ship tonnage at estimated scrap value per ton using the straight-line method over their estimated useful lives. This is reviewed on an ongoing basis to ensure they reflect current technology, service potential and vessel structure. During the period of ownership by CMA CGM when the vessels were earning freight revenues generated by the containerized transportation of a broad range of industrial and customer goods, the useful life was estimated as twenty-five years. Following the sale of the vessels to Global Ship Lease, Inc. and its subsidiaries, the nature of operations changed significantly and from this date, the vessels are earning time charter income from the chartering of the vessels instead of from carrying cargo. On this new basis of operations the useful life was reassessed and estimated to be thirty years. This change in estimate has a positive effect on net income amounting to \$136 for the period ended December 31, 2007 (or \$1 per common share). If this change was made as of January 1, 2007, the positive effect on net income would have amounted to \$2,908 (or \$29 per common share). The revision in estimated residual value of the vessels on January 1, 2007 has a positive effect on net income amounting to \$693,000 for the year ended December 31, 2007.

(d) Drydocking Costs

Vessels are drydocked approximately every five years for major repairs and maintenance that cannot be performed while the vessels are operating. Costs directly associated with the required regulatory inspection of the ship, its hull and its machinery and for the defouling and repainting of the hull are capitalized as they are incurred and amortized on a straight line basis over the period between drydocks. Upon initial recognition, an element of the cost of a vessel is allocated to a drydock component which is amortised on a straight line basis to the anticipated next dry dock.

(e) Valuation of long-lived assets

In accordance with SFAS No. 144, long-lived assets, such as vessels, should be reviewed for impairment when market conditions indicate a significant decrease in the assets' fair value. An impairment loss should be recognized when the sum of the expected future cash flows (undiscounted and without interest) from the asset over its estimated remaining useful life is less than its carrying amount. An impairment loss should be recorded equal to the amount by which the asset's carrying amount exceeds its fair value. Fair value is the net present value of future cash flows discounted by an appropriate discount rate.

(f) Repairs and maintenance

All expenditures relating to routine maintenance and repairs are expensed when incurred.

(g) Revenue recognition and related operating expense

Global Ship Lease, Inc. and its subsidiaries charter out their vessels on time charters, which involves placing a vessel at a charterer's disposal for a period of time during which the charterer uses the vessel in return for the payment of a specified daily hire rate. Such revenues are accounted for as operating leases and are therefore recognized on a straight line basis as the average revenues over the rental periods of such charter agreements, as service is performed, except for loss generating time charters, in which case the loss is recognized in the period when such loss is determined.

Under time charter arrangements, Global Ship Lease, Inc. and its subsidiaries as owners are responsible for all the operating expenses of the vessels, such as crew costs, insurance, repairs and maintenance, and such costs are recognized as incurred.

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Freight revenues earned by the Predecessor Group and related costs directly attributable to loaded container movements are recognized on delivery of the loaded container to its final destination. Freight revenues and costs directly attributable to containers not delivered at the closing date, excluding mainly time based costs such as charter costs, fuel and oil consumption and port taxes and expenses, are reported as Deferred income and Deferred charges. A provision for net realizable value is recorded only when all costs necessary to complete the delivery of the service exceed the corresponding expected freight revenue.

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**Global Ship Lease, Inc.**

**Notes to the Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

(h) Deferred finance charges

Costs incurred in connection with obtaining long-term debt are recorded as deferred financing costs and are amortized to interest expense over the estimated duration of the related debt. Such costs include fees paid to the lenders or on the lenders' behalf and associated legal and other professional fees.

(i) Inventories

Inventories consist of lubricants and bunkers for vessels still operated by the Predecessor Group. They are valued at cost on a first-in-first-out basis.

Inventory costs include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to inventory purchases.

(j) Accounts Receivable

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs, collections and current credit conditions. The Company does not generally charge interest on past-due accounts unless the accounts are subject to legal action, and accounts are written off as uncollectible when all reasonable collection efforts have failed. Accounts are deemed as past-due based on contractual terms.

(k) Voyage receivables and payables

During the period of operations by the Predecessor Group, customers were direct shippers, comprising exporters and importers, and intermediaries, also known as freight forwarders. The Predecessor Group sub contracts certain freight recruitment and payment collections to shipping agencies who are obligated to pay the Predecessor Group for services provided if a customer defaults on payment. Amounts receivable directly from final customers or shipping agents are shown within trade accounts receivables. An allowance for doubtful accounts is established for amounts that are considered uncollectible at year-end, based on review of outstanding invoices.

(l) Segment information

During the period of operations covered by these financial statements there were two operating segments. During the Predecessor Group period operations involved earning freight revenues from the containerized transportation of a broad range of industrial and customer goods. Following the purchase of the vessels by the Company, the activities changed to the ownership and provision of vessels for container shipping under time charters.

(m) Insurance

The Company maintains hull and machinery insurance, war risk insurance, protection and indemnity insurance coverage, increased value insurance, demurrage and defence insurance coverage in amounts considered prudent to cover normal risks in the ordinary course of its operations.

(n) Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. For purposes of the statements of cash flows, the Company's investments in money market funds or cash reserve funds are regarded as cash equivalents.

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**Table of Contents**

**Global Ship Lease, Inc.**

**Notes to the Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

(o) Income Taxes

The Company and its Marshall Island subsidiaries are exempt from taxation in the Marshall Islands. The Company's Cypriot subsidiaries are liable for a tax based on the tonnage of each vessel.

The Company has one subsidiary incorporated in the United Kingdom where the principal rate of corporate income tax is 30%. This subsidiary earns management and other fees from fellow subsidiary companies and in the period to December 31, 2007 the estimated tax charge is \$20.

The Predecessor Group is liable for a tax based on the tonnage of each vessel. The cost, which is included within general and administrative expenses, totaled \$310, \$200 and \$150 for the years ended December 31, 2007, 2006 and 2005, respectively.

(p) Earnings per share

Earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. There is no difference between basic and diluted earnings per share as the Company has no securities or other contracts outstanding which could result in common shares being issued. The weighted average number of common shares outstanding of Global Ship Lease, Inc. as of December 31, 2007 has been used for purposes of computing Earnings per share for all presented prior periods.

(q) Derivative instruments and hedging activities

Following the acquisition of the vessels the Company has not entered into any derivative instruments and has not undertaken any hedging activities. However these were activities undertaken during the period of the operations under the Predecessor Group.

Voyage operating expenses, incurred during the period of operations of the Predecessor Group, were highly dependent on the cost of bunkers. The Predecessor Group's risk management policy was to hedge the price risk on anticipated bunker consumption through over-the-counter derivative instruments such as swaps and options.

Derivatives were initially recognized at fair value on the date a derivative contract was entered into and were subsequently remeasured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Predecessor Group designated certain derivatives as hedges of highly probable forecast transactions (cash flow hedge). The fair value of derivatives is presented on the face of the balance sheet under the line item Other assets and Other liabilities.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity within Accumulated other comprehensive income / (loss). The gain or loss relating to the ineffective portion is recognized immediately in the statement of income.

Amounts accumulated in equity are recycled in the statement of income in the periods when the hedged item affects profit or loss when the forecast transaction that is hedged takes place. When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory when the Predecessor Group hedges bunker purchase), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a forecast



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**Global Ship Lease, Inc.**

**Notes to the Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

The statement of income impact (effective and ineffective portion) of bunker hedging activities that qualify as cash flow hedges is presented in the line item Voyage expenses. The settlement of transactions qualified as cash flow hedges is presented within Net cash provided by operating activities.

Certain derivative instruments do not qualify for hedge accounting. These transactions, which are exclusively related to the Predecessor Group's bunker hedges, are recorded at fair value within the balance sheet with related gains and losses recorded in earnings. The statement of income impact of such derivatives is presented in the line item Other operating income(expense).

(r) Foreign Currency Transactions

Items included in the combined financial statements from each relevant Group Predecessor entity or Global Ship Lease, Inc. entities are first measured using the currency of the primary economic environment in which the entity operates their vessels (the functional currency). Then they are converted to the Company's reporting currency which is the U.S. dollar. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet dates. Expenses paid in foreign currencies are recorded at the rate of exchange at the transaction date. Exchange gains and losses are included in the determination of net income.

(s) Accumulated other comprehensive income / (loss)

Other comprehensive income/ (loss), which is reported in the accompanying combined statement of equity, consists of net income /(loss) and other gains and losses affecting equity that, under United States GAAP, are excluded from net income/ (loss). Other comprehensive income/(loss) includes the effective portion of derivative financial instruments that qualify as hedge accounting which are deferred in accordance with accounting principles described above, and the impact of the translation of foreign currency statements, certain subsidiary entities having a functional currency different from the United States dollar. Amounts of Other comprehensive income/(loss) related to the period up to each vessel's transfer from Group Predecessor to Global Ship Lease and its subsidiaries has been reversed at each respective transfer date against the amount due to CMA CGM within equity as it is not being carried forward in the combined balance sheet (see notes 1 and 9).

(t) Recently Issued Accounting Standards

The Financial Accounting Standards Board ( FASB ) issued SFAS No. 157, *Fair Value Measurements* ( SFAS 157 ), on September 15, 2006. SFAS 157 enhances existing guidance for measuring assets and liabilities using fair value. Previously, guidance for applying fair value was incorporated in several accounting pronouncements. The new statement provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities. While the statement does not add any new fair value measurements, it does change current practice. One such change is a requirement to adjust the value of non-vested stock for the effect of the restriction even if the restriction lapses within one year. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of SFAS 157 on January 1, 2008, is not expected to have a material impact on the financial statements of the Company.

In November 2007, the FASB provided a one year deferral for the implementation of SFAS No. 157 for nonfinancial assets and liabilities reported or disclosed at fair value in the financial statements on a nonrecurring basis.



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**Global Ship Lease, Inc.**

**Notes to the Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

SFAS No. 141(R), *Business Combinations* ( SFAS 141(R) ), was issued in December 2007. SFAS 141(R) requires that upon initially obtaining control, an acquirer will recognize 100% of the fair values of acquired assets, including goodwill, and assumed liabilities, with only limited exceptions, even if the acquirer has not acquired 100% of its target. Additionally, contingent consideration arrangements will be fair valued at the acquisition date and included on that basis in the purchase price consideration and transaction costs will be expensed as incurred. SFAS 141(R) also modifies the recognition for preacquisition contingencies, such as environmental or legal issues, restructuring plans and acquired research and development value in purchase accounting. SFAS 141(R) amends Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, to require the acquirer to recognize changes in the amount of its deferred tax benefits that are recognizable because of a business combination either in income from continuing operations in the period of the combination or directly in contributed capital, depending on the circumstances. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008. Adoption is prospective and early adoption is not permitted. The Company expects to adopt SFAS 141 (R) on January 1, 2009. SFAS 141(R) s impact on accounting for business combinations is dependent upon acquisitions at that time.

SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115* ( SFAS 159 ), was issued in February 2007. SFAS 159 permits 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. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. SFAS 159 does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in SFAS 157 and SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*. SFAS 159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007. The Company will adopt Statement 159 on January 1, 2008 and does not anticipate adoption to materially impact our financial position or results of operations.

SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* ( SFAS 160 ), was issued in December 2007. SFAS 160 clarifies the classification of noncontrolling interests in consolidated statements of financial position and the accounting for and reporting of transactions between the reporting entity and holders of such noncontrolling interests. Under SFAS 160 noncontrolling interests are considered equity and should be reported as an element of consolidated equity, net income will encompass the total income of all consolidated subsidiaries and there will be separate disclosure on the face of the income statement of the attribution of that income between the controlling and noncontrolling interests, and increases and decreases in the noncontrolling ownership interest amount will be accounted for as equity transactions. Statement 160 is effective for the first annual reporting period beginning on or after December 15, 2008, and earlier application is prohibited. SFAS 160 is required to be adopted prospectively, except for reclassify non controlling interests to equity, separate from the parent s shareholders equity, in the consolidated statement of financial position and recasting consolidated net income (loss) to include net income (loss) attributable to both the controlling and noncontrolling interests, both of which are required to be adopted retrospectively. The Company expects to adopt SFAS 160 on January 1, 2009 and is currently assessing the potential impact that the adoption could have on its financial statements.

SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* ( SFAS 161 ) expands disclosures previously required under SFAS 133 about how derivatives and hedging activities affect the Company s financial position, financial performance, and cash flow. SFAS 161 is effective for fiscal years beginning after November 15, 2008. The Company expects to

**Table of Contents****Global Ship Lease, Inc.****Notes to the Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

adopt SFAS 161 on January 1, 2009. SFAS 161 s will change the disclosures provided in notes to financial statements related to derivative instruments and hedging activities.

Management do not believe that any other recently issued, but not yet effective accounting pronouncements, if currently adopted, would have a material impact on the consolidated financial statements of the Company.

**3. Restricted cash**

Restricted cash is \$188,000 drawn down under the Company s \$800,000 credit facility. As stipulated in the credit facility agreement, this cash was used in January 2008 to purchase two vessels from CMA CGM under the asset purchase agreement.

**4. Trade accounts receivables**

|   | 2007          | 2006             |
|---|---------------|------------------|
| Receivables from customers, net         | \$ 15         | \$ 2,278         |
| Receivables from shipping agencies, net | 170           | 24,936           |
| <b>Trade accounts receivable</b>        | <b>\$ 185</b> | <b>\$ 27,214</b> |
| of which allowances                     | \$ (1)        | \$ (82)          |

**5. Deferred Financing Costs**

Deferred financing costs at December 31, 2007 relate to lender and legal fees in connection with the credit facility. The costs are being amortized to interest expense in the income statement on a straight-line basis over the period of the facility, which is 8 years, from the date of initial drawdown in December 2007.

**6. Vessels in Operation, less Accumulated Depreciation**

|                          | 2007              | 2006              |
|--------------------------|-------------------|-------------------|
| Cost                     | \$ 539,350        | \$ 332,584        |
| Accumulated Depreciation | (64,051)          | (46,355)          |
| <b>Net Book Value</b>    | <b>\$ 475,299</b> | <b>\$ 286,229</b> |

Variations in cost of vessels and advances made to shipyards for vessels under construction are presented below:

|                                    | 2007       | 2006       |
|------------------------------------|------------|------------|
| Cost of vessels at opening balance | \$ 332,584 | \$ 205,502 |
| Acquisition in cash                | 188,463    | 114,218    |

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|   |                   |                   |
|---|-------------------|-------------------|
| Foreign currency translation adjustment   | 18,303            | 12,864            |
| <b>Cost of vessels at closing balance</b> | <b>\$ 539,350</b> | <b>\$ 332,584</b> |

The cost of the two vessels acquired in 2007 includes \$833 of capitalized interest related to advanced payments made on these vessels. This interest was accounted for as a contribution from CMA CGM and was included as a movement in the due to CMA CGM balance.

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**Table of Contents****Global Ship Lease, Inc.****Notes to the Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

Variations in accumulated depreciation of vessels are analyzed as follows:

|  | 2007               | 2006               |
|--|--------------------|--------------------|
| Accumulated depreciation at opening balance        | \$ (46,355)        | \$ (27,689)        |
| Depreciation                                       | (16,119)           | (16,664)           |
| Foreign currency translation adjustment            | (1,577)            | (2,003)            |
| <b>Accumulated depreciation at closing balance</b> | <b>\$ (64,051)</b> | <b>\$ (46,355)</b> |

The Company entered into an asset purchase agreement with CMA CGM on December 5, 2007. Pursuant to this agreement, during the period to December 31, 2007, the Company purchased ten vessels for a total price of \$385,000. Additionally, during January 2008 it took delivery of a further two vessels for a total price of \$188,000. Under the basis of accounting set out in note 1, all 12 of these vessels have been recorded in these combined financial statements at the net book value recorded at each transfer date in the Predecessor Group's carve-out financial statements of \$475,921.

As of December 31, 2007 ten vessels of the initial fleet are pledged as securities under the credit facility agreement.

At December 31, 2007 under the asset purchase agreement the Company was committed to purchasing a further five vessels for an aggregate price of \$437,000 payable between December 2008 and July 2009.

In 2006, the Predecessor Group terminated certain capital leases which were justified by certain tax lease advantages and which were no longer applicable. The termination of these capital leases did not result in any lease termination penalty nor any loss of tax benefit acquired to date. In January 2006, CMA CGM acquired a 100% shareholding in the French shipping company Delmas, and four of the vessels previously owned by Delmas are included within the initial fleet transferred to Global Ship Lease, Inc.

**7. Derivatives financial instruments**

The fair value of derivative financial instruments contracted by the Predecessor Group is presented as follows:

|  | 2007              | 2006               |
|--|-------------------|--------------------|
| Net fair value of bunker cost hedging instruments: |                   |                    |
| Qualifying to cash flow hedge                      | \$                | \$ (397)           |
| Not qualifying to cash flow hedge                  | \$ 111            | \$ 9,851           |
|  | \$ 111            | \$ 9,454           |
| <i>of which presented in Other assets</i>          | <i>\$ 1,297</i>   | <i>\$ 24,743</i>   |
| <i>of which presented in Other liabilities</i>     | <i>\$ (1,186)</i> | <i>\$ (15,289)</i> |

The net gains recognized in earnings during the period for derivative instruments that qualified as cash flow hedging instruments amounted to \$3,083 and \$5,499 million as of December 31, 2007 and 2006, respectively. The estimated net gains or losses that are expected to be reclassified into earnings within the next 12 months as of December 31, 2007 amounts to nil. As of December 31, 2007 the maximum length of time over which the entity is hedging its bunker exposure is approximately four years. There is no gain or loss reclassified into earnings over the periods

presented as a result of the discontinuance of cash flow hedges.

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**Table of Contents****Global Ship Lease, Inc.****Notes to the Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

**8. Amounts due to Group Companies**

Amounts due to Group Companies are summarized as follows:

|  | 2007              | 2006      |
|--|-------------------|-----------|
| Shareholders Loan 5.25% per annum ((a) below)                      | \$ 176,875        | \$        |
| Current account  | 1,389             |           |
| Accrued related party expenses ((b) below)                         | 1,191             |           |
| <b>Amounts due to Group companies presented within liabilities</b> | <b>\$ 179,455</b> | <b>\$</b> |

- (a) Under a shareholder's loan agreement dated December 11, 2007, the immediate parent company, CMA CGM, has provided the Company a credit facility of \$250,000 of which \$176,875 had been drawn down at December 31, 2007. The loan is unsecured, bears interest at 5.25% per annum and will only be repaid when the Company is refinanced.
- (b) As disclosed in note 14, CMA CGM provides Global Ship Lease, Inc. and subsidiaries with certain financing and technical support related to the operation of the fleet and the company.

**9. Accumulated other comprehensive income**

The components of the change in the accumulated other comprehensive income / (loss) are as follows:

|   | Currency<br>translation<br>adjustment | 2007<br>Hedging<br>cash<br>flow<br>reserve | Total           | Currency<br>translation<br>adjustment | 2006<br>Hedging<br>cash<br>flow<br>reserve | Total            | Currency<br>translation<br>adjustment | 2005<br>Hedging<br>cash<br>flow<br>reserve | Total            |
|---|---------------------------------------|--|-----------------|---------------------------------------|--|------------------|---------------------------------------|--|------------------|
| <b>Balance as of January 1,</b>                                     | \$ 11,011                             | \$ 10,958                                  | \$ 21,969       | \$ (1,412)                            | \$ 14,512                                  | \$ 13,100        | \$ (1,028)                            | \$   | \$ (1,028)       |
| Bunker cost hedging instruments:                                    |                                       |  |                 |                                       |  |                  |                                       |  |                  |
| Reclassification adjustments included in net income                 |                                       | (2,060)                                    | (2,060)         |                                       | (5,897)                                    | (5,897)          |                                       | (1,407)                                    | (1,407)          |
| Increase in unrealized gain (loss) on derivative instruments        |                                       | 1,849                                      | 1,849           |                                       | 2,344                                      | 2,344            |                                       | 15,919                                     | 15,919           |
| Currency translation differences                                    | 9,509                                 |  | 9,509           | 12,423                                |  | 12,423           | (384)                                 |  | (384)            |
| Effect of the transfer of the 10 vessels to Global Ship Lease, Inc. | (15,781)                              | (10,747)                                   | (26,528)        |                                       |  |                  |                                       |  |                  |
| <b>Balance as of December 31,</b>                                   | <b>\$ 4,739</b>                       | <b>\$</b>                                  | <b>\$ 4,739</b> | <b>\$ 11,011</b>                      | <b>\$ 10,958</b>                           | <b>\$ 21,969</b> | <b>\$ (1,412)</b>                     | <b>\$ 14,512</b>                           | <b>\$ 13,100</b> |

**10. Long-term debt**

Long-term debt is summarized as follows:

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|  | 2007       | 2006       |
|--|------------|------------|
| Debt payable to banks, at Libor USD + 0.75% to 1.10% (below) | \$ 401,100 | \$         |
| Debt payable to banks, at Libor USD + 0.95% to 2.70%         |            | 139,158    |
| Less current installments of long-term debt                  | (401,100)  | (17,819)   |
|  | \$         | \$ 121,339 |

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**Table of Contents**

**Global Ship Lease, Inc.**

**Notes to the Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

During 2007 the Company established an eight year \$800,000 senior secured revolving credit facility, which is referred to as the credit facility. The Company intends to draw funds under the credit facility to finance in part the purchase of the initial and contracted fleet and the purchase of additional vessels (assuming certain specific conditions are met), as well as for other general corporate purposes.

By December 31, 2007 the Company had drawn \$401,100 under this facility for the part purchase of the initial fleet.

Borrowings under the credit facility bear interest at a margin over one, three, six, nine or 12 month United States Dollar Libor, or such other periods as the Agent may agree. The margin varies between 0.75% and 1.10% depending on the Company's leverage ratio. Interests are payable at least quarterly.

The credit facility is secured by, inter alia, first priority mortgages on each of the vessels in the security package, a pledge of shares of the vessel owning subsidiaries as well as assignments of earnings and insurances. In addition, CMA CGM has provided a corporate guarantee on the amounts outstanding.

It is the intention of the Company to seek a listing on a public stock exchange and under the credit facility, If this has not happened by September 30, 2008, then following discussions with the lenders, the facility may be converted to a fully amortizing loan or, if agreement has not been reached with the lenders, all amounts outstanding will be repaid.

Following completion of the transactions contemplated by the agreement and plan of merger, referred to in note 15, which is expected to take place in the third quarter 2008, the credit facility will remain in full force and effect.

**11. Operating Segments**

The Company has two lines of business from which it derives its revenues reported within these financial statements: freight revenues generated by the containerized transportation of a broad range of industrial and customer goods by the Predecessor Group and the provision of vessels under time charters for container shipping by Global Ship Lease, Inc. and subsidiaries.

The Company has provided additional segment related data to facilitate an understanding of the Company's business. The table below reflects the change in structure of the Company. Under the basis of preparation of these combined financial statements, until the vessels were purchased by Global Ship Lease, Inc. and subsidiaries they were used in Predecessor Group's business of earning freight revenues for transporting containers. From the purchase of the vessels by Global Ship Lease, Inc. and subsidiaries revenues were earned from the chartering of vessels. These activities were not carried out concurrently but the first activity ceased on delivery of each of the individual vessels to Global Ship Lease, Inc. and subsidiaries at which point the second activity began.

All activities during the years ended December 31, 2006 and 2005 were earning freight revenues for transporting containers.

**Table of Contents****Global Ship Lease, Inc.****Notes to the Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

During the year ended December 31, 2007 the activities can be analysed as follows:

|                                      | <b>Containerized<br/>Transportation</b> | <b>Time<br/>charter</b> | <b>Unallocated</b> | <b>Total</b> |
|--------------------------------------|---|-------------------------|--------------------|--------------|
| Operating revenues:                  | \$ 332,186                              | \$ 2,909                | \$                 | \$ 335,095   |
| Operating expenses:                  |   |                         |                    |              |
| Voyage expenses                      | (249,457)                               |                         |                    | (249,457)    |
| Vessel expenses                      | (23,219)                                | (740)                   |                    | (23,959)     |
| Depreciation                         | (15,497)                                | (622)                   |                    | (16,119)     |
| General and administrative           | (12,360)                                | (330)                   | (5,061)            | (17,751)     |
| Other operating income               | 2,341                                   |                         |                    | 2,341        |
| Total operating expenses             | (298,192)                               | (1,692)                 | (5,061)            | (304,945)    |
| Operating income/(expense)           | 33,994                                  | 1,217                   | (5,061)            | 30,150       |
| Interest expense                     | (12,251)                                | (1,103)                 |                    | (13,354)     |
| Income/(expense) before income taxes | 21,743                                  | 114                     | (5,061)            | 16,796       |
| Taxes on income                      |   | (20)                    |                    | (20)         |
| Net income/(expense)                 | \$ 21,743                               | \$ 94                   | \$ (5,061)         | \$ 16,776    |

Reported as Unallocated are \$5,061 of costs relating to the establishment of the Company and an initial equity fundraising by way of an Initial Public Offering on the New York Stock Exchange in November 2007 which was postponed due to adverse market conditions. These costs have been written off as the Company is now party to a merger agreement described in note 15.

**12. Risk Management****Concentration risk**

There is a concentration of credit risk with respect to cash and cash equivalents at December 31, 2007 to the extent that substantially all of the amounts are deposited with one bank. However, the Company believes this risk is remote as the bank is a high credit quality financial institution.

At December 31, 2007 the Company had no charter hire revenue outstanding as all amounts from its single customer, CMA CGM, were paid up to date. CMA CGM is the third largest container shipping company in the world, earning nearly \$12 billion in revenues in 2007 and nearly \$1 billion in net income. Each charter is long term with expirations between 2012 and 2025. The staggered expiration of the charters reduces the Company's exposure to re-chartering risk as does the range of sizes, between 2,200 and 11,000 TEUs, of vessels in the initial and contracted fleet.

During the period of operations by the Predecessor Group's customers were direct shippers, comprising exporters and importers, and intermediaries, also known as freight forwarders. The Predecessor Group did not have any significant concentration of business transacted with a particular customer. Furthermore, the broad geographic distribution of the Predecessor Group's customers reduced the Predecessor Group's exposure to credit risk. The Predecessor Group used a network of controlled shipping agencies. Nevertheless, it granted freight recruitments and payment collections to independent shipping agencies also who were obligated to pay the Predecessor Group for services provided if a customer defaulted on payment. No single shipping agency accounted for more than 5% of consolidated sales and voyage receivables.



**Table of Contents**

**Global Ship Lease, Inc.**

**Notes to the Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

**Foreign operations risk**

The vessels owned by the Company trade in international waters and in the territorial waters of several foreign nations. The Company attempts to mitigate the risk to the vessels by monitoring current events in foreign nations and insuring the vessels. However, the risks associated with foreign operations, which include war, piracy and expropriation, can never be fully mitigated.

**Credit risk**

The Company is subject to credit risk with its customers and other counterparties. If the counterparties fail to meet their obligations, the Company could suffer losses on such contracts, which could materially adversely affect the Company's financial condition and results of operations. In addition, if a charterer defaults on a time charter, the Company may have to enter into new charters at lower rates. It is also possible that the Company would be unable to secure a charter at all. If the Company re-charters the vessels at lower rates, the consolidated financial condition and results of operations could be materially adversely affected.

**13. Commitments and Contingencies**

**Property Leases**

The Company occupies office space in London, paying \$11 per month. The licence ends on July 31, 2008. To extend the term in the office, 3 months prior written notice is required from the Company. A deposit of two months licence fee has been paid.

**Contracted Vessel Purchases**

As reported in note 6, the Company has contracted to purchase a further seven vessels from CMA CGM with an aggregate cost of \$625,000 at the balance sheet date. Two of these at an aggregate price of \$188,000 were purchased in January 2008.

**Charter Hire Receivable**

The Company has entered into long term charters for its vessels owned at December 31, 2007, with aggregate hires receivable set out in note 14.

**14. Related Party Transactions**

All related party balances and transactions are between the Company and its immediate parent CMA CGM or fellow subsidiaries, and all arose in December 2007 in conjunction with the transfer of the vessels to the Company.

**Asset Purchase Agreement**

As reported in note 1, the Company entered into an asset purchase agreement with CMA CGM on December 5, 2007. Pursuant to this agreement, during the period to December 31, 2007, the Company purchased ten vessels for a total price of \$385,000.

Under the asset purchase agreement, the Company is committed to purchasing a further seven vessels from CMA CGM, for an aggregate price of \$625,000.

**Table of Contents****Global Ship Lease, Inc.****Notes to the Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

**Time Charter Agreements**

All vessels are time chartered to CMA CGM during the period. Under the time charters (including those relating to vessels due for delivery in 2008 and 2009), hire is paid in advance and the daily rate is fixed for the duration of the charter. The charters are for periods of between five and seventeen years and the maximum annual charter hire receivable (between five and ten years for the initial fleet chartered to CMA CGM as of December 31, 2007), before allowance for any off-hire periods, is as follows;

|                     | <b>Initial fleet<br/>operated as<br/>December 31,<br/>2007</b> | <b>Total fleet to<br/>be operated<br/>including<br/>vessels to be<br/>delivered in<br/>2008 and 2009</b> |
|---------------------|--|--|
| 2008                | \$ 68,292  | \$ 93,614  |
| 2009                | 68,153   | 142,360  |
| 2010                | 68,153   | 148,909  |
| 2011                | 68,153   | 148,909  |
| 2012 and thereafter | 301,602  | 1,174,333  |
| <b>Total</b>        | <b>\$ 574,353</b>  | <b>\$ 1,708,126</b>  |

Subsequent to the year end, certain charter rates were renegotiated upward adding approximately \$3,600 per annum to revenue on the contracted fleet of seventeen vessels. This renegotiation is not retroactive.

**Ship Management Agreement**

The Company and its subsidiaries outsource day to day technical management of its vessels to a ship manager who is closely supervised by the Company's own staff. The ship manager for the initial and contracted fleet is CMA Ships, a wholly owned subsidiary of CMA CGM. CMA CGM guarantees the performance of all services and any payment due to the Company by the ship manager pursuant to the ship manager agreements. The ship management agreements are for a period of 3 years from the date of delivery of the vessels to Global Ship Lease, Inc. and its subsidiaries.

The Company and its subsidiaries pay CMA Ships an annual management fee of \$114 per vessel and reimburse costs incurred on its behalf mainly being for the provision of crew and lubricating oils and routine maintenance. Such reimbursement is subject to a cap of between \$5.4 and \$8.8 per day depending on the vessel.

**15. Subsequent Events**

As reported in note 1, two vessels with an aggregate cost of \$188,000 were purchased in January 2008. Funds held as restricted cash at December 31, 2007 were used for these purchases having been drawdown from the Company's existing credit facility prior to the year end. The Company and its subsidiaries will account for this purchase as a transfer of vessels under common control, recording the vessels at historical cost together with a distribution to CMA CGM for the excess of the amount of the payment made over the carrying value of the vessels received. The Company and its subsidiaries will account for this purchase as a transfer of vessels under common control, recording the vessels at historical cost together with a distribution to CMA CGM for the excess of the amount of the payment made over the carrying value of the vessels received.



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**Global Ship Lease, Inc.**

**Notes to the Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

The Company entered into an agreement and plan of merger dated as of March 21, 2008 with Marathon Acquisition Corp. ( Marathon ), GSL Holdings, Inc. ( GSL Holdings ) and CMA CGM pursuant to which Marathon will merge with and into GSL Holdings, its newly-formed, wholly owned Marshall Islands subsidiary, and then the Company will merge with and into GSL Holdings, with GSL Holdings continuing as the surviving company incorporated in the Republic of the Marshall Islands and to be renamed Global Ship Lease, Inc. (such mergers collectively, the Merger ). As a result of the Merger, each holder of a share of common stock of Marathon issued and outstanding immediately prior to the effective time of the Merger will receive Class A common shares of GSL Holdings, except that Marathon Founders, LLC and other initial stockholders will receive an aggregate of 5,000,000 Class B common shares of GSL Holdings in lieu of an equal number of Class A common shares; and CMA CGM will receive \$66,570 in cash, 7,844,600 Class A common shares of GSL Holdings, 5,000,000 Class B common shares of GSL Holdings, and 12,375,000 Class C common shares of GSL Holdings. The rights of holders of Class B common shares will be identical to those of holders of Class A common shares subject to meeting certain tests, except that the holders of Class B common shares will not be entitled to receive any dividends with respect to any quarter prior to the first quarter of 2009 and their dividend rights will be subordinated to those of holders of Class A common shares until at least the third quarter of 2011. The rights of holders of Class C common shares will be identical to those of holders of Class A common shares, except that holders of Class C common shares will not be entitled to receive any dividends and the Class C common shares will convert into Class A common shares on a one-for-one basis on January 1, 2009.

The merger agreement contains customary representations, warranties and covenants by each of the parties. The representations and warranties do not survive the closing. The obligations of Marathon and GSL Holdings, on the one hand, and CMA CGM and the Company, on the other hand, to consummate the Merger are subject to certain closing conditions. The merger is expected to be completed during the third quarter of 2008, pending Marathon stockholder and warrant holder approval. Following the closing of the transaction, the Company will have an independent board with no representation by CMA CGM. The lenders under the credit facility have consented to the transaction.

Immediately prior to the Merger, the Company will enter into an amendment and restatement of the asset purchase agreement pursuant to which the Company will purchase five additional vessels from CMA CGM with expected delivery in December 2008 and July 2009 for an aggregate purchase price of \$437,000, of which \$99,000 will be deemed to be prepaid by the consideration paid to CMA CGM in the Merger. See note 14.

Immediately prior to the Merger, the applicable subsidiaries of the Company will enter into amended and restated charter agreements with CMA CGM or its applicable subsidiaries pursuant to which CMA CGM or its applicable subsidiary will charter the Company's vessels. See note 14.

Immediately prior to the Merger, the applicable subsidiaries of the Company will enter into amended and restated ship management agreements with CMA Ships, a wholly owned subsidiary of CMA CGM, pursuant to which the Company and its subsidiaries will outsource day to day technical management of its vessels to CMA Ships. See note 14.

**Table of Contents****Global Ship Lease, Inc.****Unaudited Combined Balance Sheets**

(Expressed in thousands of U.S. dollars)

The following combined financial statements are not representative of Global Ship Lease's future operations as Global Ship Lease will derive its revenue only from chartering out its vessels under long-term fixed rate time charters. Please refer to the GSL Holdings unaudited pro forma financial information included elsewhere in this joint proxy statement/prospectus, which reflects the pro forma effects of these charters and related agreements on Global Ship Lease's results of operations and financial condition.

|  | Note | March 31,<br>2008 | December 31,<br>2007 |
|--|------|-------------------|----------------------|
| <b>Assets</b>                                  |      |                   |                      |
| Cash and cash equivalents                      |      | \$ 4,288          | \$ 1,891             |
| Restricted cash                                |      |                   | 188,000              |
| Trade accounts receivable                      |      |                   | 185                  |
| Inventories                                    |      |                   | 1,613                |
| Prepaid expenses and other receivables         |      | 3,753             | 425                  |
| Deferred financing costs                       |      | 774               | 752                  |
| Total current assets                           |      | 8,815             | 192,866              |
| Vessels at cost, less accumulated depreciation | 4    | 471,879           | 475,299              |
| Other fixed assets                             |      | 30                | 33                   |
| Other assets                                   |      |                   | 1,297                |
| Deferred financing costs                       |      | 5,181             | 5,130                |
| Total non-current assets                       |      | 477,090           | 481,759              |
| <b>Total Assets</b>                            |      | <b>\$485,905</b>  | <b>\$674,625</b>     |
| <b>Liabilities and Stockholder's Equity</b>    |      |                   |                      |
| <b>Liabilities</b>                             |      |                   |                      |
| Current instalments of long term debt          | 6    | \$401,100         | \$401,100            |
| Accounts payable                               |      | 3,466             | 502                  |
| Accrued expenses and other liabilities         |      | 3,301             | 6,098                |
| Amounts due to group companies                 | 5    | 2,273             | 1,389                |
| Total current liabilities                      |      | 410,140           | 409,089              |
| Amounts due to group companies                 | 5    | 176,875           | 176,875              |
| Other liabilities                              |      |                   | 1,186                |
| Total long-term liabilities                    |      | 176,875           | 178,061              |
| <b>Total Liabilities</b>                       |      | <b>\$587,015</b>  | <b>\$587,150</b>     |

Commitments and contingencies

**Stockholder's Equity**

Common stock authorised  
100 shares \$.01 par value; 100 shares issued and outstanding

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|   |                  |                  |
|---|------------------|------------------|
| Accumulated deficit                               | (102,396)        | (96,925)         |
| Net income for the period                         | 1,286            | 16,776           |
| Due to CMA CGM                                    |                  | 162,885          |
| Accumulated other comprehensive income            |                  | 4,739            |
| <b>Total Stockholder s Equity</b>                 | <b>(101,110)</b> | <b>87,475</b>    |
| <b>Total Liabilities and Stockholder s Equity</b> | <b>\$485,905</b> | <b>\$674,625</b> |

See accompanying notes to interim unaudited combined financial statements.

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**Table of Contents****Global Ship Lease, Inc.****Unaudited Combined Statements of Income**

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

The following combined financial statements are not representative of Global Ship Lease's future operations as Global Ship Lease will derive its revenue only from chartering out its vessels under long-term fixed rate time charters. Please refer to the GSL Holdings unaudited pro forma financial information included elsewhere in this joint proxy statement/prospectus, which reflects the pro forma effects of these charters and related agreements on Global Ship Lease's results of operations and financial condition.

|   | Note | Three months ended<br>March 31, 2008 | Three months ended<br>March 31, 2007 |
|---|------|--------------------------------------|--------------------------------------|
| <b>Operating Revenues</b>   |      |                                      |                                      |
| Voyage revenue  | 8    | \$ 2,072                             | \$ 76,985                            |
| Time charter revenue  | 8    | 21,822                               |                                      |
|   |      | 23,894                               | 76,985                               |
| <b>Operating expenses</b>   |      |                                      |                                      |
| Voyage expenses   |      | (1,944)                              | (58,489)                             |
| Vessel operating expenses   |      | (7,345)                              | (5,842)                              |
| Depreciation  | 4    | (5,020)                              | (3,753)                              |
| General and administrative  |      | (722)                                | (2,854)                              |
| Other operating expense   |      | (280)                                | (97)                                 |
| Total operating expenses  |      | (15,311)                             | (71,035)                             |
| <b>Operating Income</b>   |      | 8,583                                | 5,949                                |
| <b>Non operating income(expense)</b>                              |      |                                      |                                      |
| Interest income   |      | 302                                  |                                      |
| Interest expense  |      | (8,234)                              | (2,498)                              |
| <b>Income before Income Taxes</b>                                 |      | 651                                  | 3,451                                |
| Income taxes  |      | (16)                                 |                                      |
| <b>Net Income</b>   |      | \$ 635                               | \$ 3,451                             |
| Earnings per common share (basic and diluted)                     |      | \$ 6                                 | \$ 35                                |
| Weighted average number of shares outstanding (basic and diluted) |      | \$ 100                               | \$ 100                               |

See accompanying notes to interim unaudited combined financial statements

**Table of Contents****Global Ship Lease, Inc.****Unaudited Combined Statements of Cash Flows**

(Expressed in thousands of U.S. dollars)

The following combined financial statements are not representative of Global Ship Lease's future operations as Global Ship Lease will derive its revenue only from chartering out its vessels under long-term fixed rate time charters. Please refer to the GSL Holdings unaudited pro forma financial information included elsewhere in this joint proxy statement/prospectus, which reflects the pro forma effects of these charters and related agreements on Global Ship Lease's results of operations and financial condition.

|   | Three months ended<br>March 31, 2008 | Three months ended<br>March 31, 2007 |
|---|--------------------------------------|--------------------------------------|
| <b>Cash Flows from Operating Activities</b>   |                                      |                                      |
| Net income  | \$ 635                               | \$ 3,451                             |
| <b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</b> |                                      |                                      |
| Depreciation  | 5,020                                | 3,753                                |
| Amortization of deferred financing costs  | 190                                  | 231                                  |
| Change in fair value of certain financial derivative instruments                        | 111                                  | 1,934                                |
| Settlements of hedge which do not qualify to hedge accounting                           |                                      | (1,080)                              |
| (Increase) in other receivables and prepaid expenses                                    | (1,943)                              | (5,614)                              |
| Decrease (Increase) in inventories  | 1,613                                | (4,063)                              |
| (Decrease) Increase in accounts payable and other liabilities                           | (1,322)                              | 8,496                                |
| Periodic costs relating to drydocks   | (410)                                | (1,235)                              |
| <b>Net Cash Provided by Operating Activities</b>  | <b>3,894</b>                         | <b>5,873</b>                         |
| <b>Cash Flows from Investing Activities</b>   |                                      |                                      |
| Settlements of hedge which do not qualify to hedge accounting                           |                                      | 1,080                                |
| <b>Net Cash Used in Investing Activities</b>  |                                      | <b>1,080</b>                         |
| <b>Cash Flows from Financing Activities</b>   |                                      |                                      |
| Repayments of debt  |                                      | (3,382)                              |
| Variation in restricted cash  | 188,000                              |                                      |
| Issuance costs of debt  | (276)                                |                                      |
| (Decrease) in amount due to CMA CGM.  | (188,716)                            | (3,571)                              |
| Deemed distribution to CMA CGM  | (505)                                |                                      |
| <b>Net Cash used by Financing Activities</b>  | <b>(1,497)</b>                       | <b>(6,953)</b>                       |
| <b>Net Increase in Cash and Cash Equivalents</b>  | <b>2,397</b>                         |                                      |
| <b>Cash and Cash Equivalents at beginning of Period</b>                                 | <b>1,891</b>                         |                                      |
| <b>Cash and Cash Equivalents at end of Period</b>                                       | <b>\$ 4,288</b>                      | <b>\$</b>                            |
| <b>Supplemental Information</b>   |                                      |                                      |
| Total interest paid during period   | \$ 6,339                             | \$ 2,226                             |
| Total tonnage tax and income tax paid   | \$                                   | \$ 77                                |

See accompanying notes to interim unaudited combined financial statements.



**Table of Contents****Global Ship Lease, Inc.****Unaudited Combined Statements of Stockholders Equity**

(Expressed in thousands of U.S. dollars, except number of common stock)

The following combined financial statements are not representative of Global Ship Lease's future operations as Global Ship Lease will derive its revenue only from chartering out its vessels under long-term fixed rate time charters. Please refer to the GSL Holdings unaudited pro forma financial information included elsewhere in this joint proxy statement/prospectus, which reflects the pro forma effects of these charters and related agreements on Global Ship Lease's results of operations and financial condition.

|   | Number of<br>Common<br>Stock at<br>\$.01 par<br>value | Common<br>Stock | Accumulated<br>Deficit | Net<br>Income<br>for the<br>year | Due to<br>CMA<br>CGM | Accumulated<br>Other<br>comprehensive<br>Income | Total<br>Shareholders<br>Equity |
|---|---|-----------------|------------------------|----------------------------------|----------------------|---|---------------------------------|
| <b>Balance at December 31, 2006</b>                               | \$  | \$              | \$                     | \$ 32,677                        | \$ 115,350           | \$ 21,969                                       | \$ 169,996                      |
| Incorporation of Global Ship Lease, Inc.                          | 100   |                 |                        |                                  |                      |   |                                 |
| Change in amount due from CMA CGM                                 |   |                 |                        |                                  | (11,881)             |   | (11,881)                        |
| Allocation of prior year net income                               |   |                 |                        | (32,677)                         | 32,677               |   |                                 |
| Net income for the period   |   |                 |                        | 16,776                           |                      |   | 16,776                          |
| Effect of derivative instruments                                  |   |                 |                        |                                  |                      | (211)   | (211)                           |
| Effect of currency translation Adjustment                         |   |                 |                        |                                  |                      | 9,509   | 9,509                           |
| Other effect of the transfer of the initial 10<br>vessels in 2007 |   |                 |                        |                                  | 26,739               | (26,528)  | 211                             |
| Deemed distribution to CMA CGM                                    |   |                 | (96,925)               |                                  |                      |   | (96,925)                        |
| <b>Balance at December 31, 2007</b>                               | 100   |                 | (96,925)               | 16,776                           | 162,885              | 4,739   | 87,475                          |
| Change in amount due from CMA CGM                                 |   |                 |                        |                                  | (188,716)            |   | (188,716)                       |
| Allocation of prior year net income                               |   |                 | (4,966)                | (16,776)                         | 21,743               |   |                                 |
| Net income for the period   |   |                 |                        | 635                              |                      |   | 635                             |
| Other effect of the transfer of the two vessels in<br>2008        |   |                 |                        | 651                              | 4,088                | (4,739)   |                                 |
| Deemed distribution to CMA CGM                                    |   |                 | (505)                  |                                  |                      |   | (505)                           |
| <b>Balance at March 31, 2008</b>                                  | \$ 100  | \$              | \$ (102,396)           | \$ 1,286                         | \$                   | \$  | \$ (101,110)                    |

See accompanying notes to interim unaudited combined financial statements.

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**Global Ship Lease, Inc.**

**Notes to the Interim Unaudited Combined Financial Statements**

(Expressed in thousands of U.S. dollars)

**1. General**

The accompanying financial information is unaudited and reflects all adjustments, consisting solely of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of results for the interim periods presented. They do not include all disclosures required under United States generally accepted accounting principles for annual financial statements. These interim unaudited combined financial statements should be read in conjunction with the December 31, 2007 financial statements filed with the Securities and Exchange Commission as part of the filing of Marathon Acquisition Corp. F-4 registration statement dated April 18, 2008.

Global Ship Lease Inc. ( The Company ) plans to access the public equity markets through a merger with Marathon Acquisition Corp., a company listed on The American Stock Exchange, pursuant to an agreement and merger plan dated March 23, 2008. The merger is expected to be completed during the third quarter of 2008, after Marathon stockholder and warrant holder approval. The Company will then seek to list on the New York Stock Exchange. Following the closing of the transaction, the Company will have an independent board with no representation by CMA CGM. The lenders under the credit facility have consented to the transaction.

**2. Nature of Operations and Basis of Preparation**

The Company was incorporated in the Republic of the Marshall Islands on May 3, 2007 as a wholly owned subsidiary of CMA CGM S.A or CMA CGM for the purpose of establishing a business of owning and chartering out containerships under long term time charters. It has contracted under an asset purchase agreement dated December 5, 2007, subject to certain conditions, to acquire 17 containerships from CMA CGM. Of these, 10 were purchased by the Company during December 2007, and two in January 2008. Four of the remaining vessels are anticipated to be purchased in December 2008 and the last vessel in July 2009. All vessels in the initial and contracted fleet will be time chartered to CMA CGM for terms ranging from five to seventeen years and the Company's ongoing operations will solely consist of chartering vessels to third party shipping companies, although initially only to CMA CGM.

Therefore during the period of operations covered by these interim unaudited combined financial statements the company operated under two business models. During the period covered by Predecessor Group (i.e. the entire three months ended March 31, 2007 and for two ships of the fleet for a few days of the three months ended March 31, 2008) operations involved earning freight revenues from the containerized transportation of a broad range of industrial and customer goods. Following the purchase by Global Ship Lease Inc. and its subsidiaries of 10 of the vessels in December 2007 and the further two vessels in January 2008, the activities changed and now consist solely of ownership and provision of vessels to container shipping companies under time charters.

CMA CGM is a privately owned company incorporated in France. It is the third largest container shipping company in the world. Its business is different to that of the Company going forward. CMA CGM operating revenues comprise mainly freight revenue generated by the containerized transportation of a broad range of industrial and customer goods. CMA CGM operates a global network of shipping lines which service a wide variety of ports in major markets. An integrated fleet of vessels is dedicated to these lines. CMA CGM operations are supported by a network of owned and third party shipping agencies which perform most of the sales and marketing functions as well as managing customer relationships.

The interim unaudited combined financial statements have been prepared to reflect:

- (a) the carve-out, until the transfer to the Company, of the initial 10 second hand vessels and two newly built vessels, of their financial position, results of operations and cash flows as they were operated by CMA CGM providing cargo carrying container shipping services on a standalone basis, referred to as the Predecessor Group; and

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(Expressed in thousands of U.S. dollars)

- (b) the result from the transfer date of these 12 vessels operated by the Company in its business of chartering them out under time charters.

These interim unaudited combined financial statements have been prepared from:

- (a) the historical accounting records of CMA CGM; and
- (b) the accounting records of Global Ship Lease, Inc. and its subsidiaries, since inception on May 3, 2007.

**Fleet**

The following table provides information about the initial fleet reflected in these interim unaudited combined financial statements:

| Vessel Name          | Capacity in TEUs <sup>(1)</sup> | Year Built | Year of acquisition by CMA CGM | Purchase Date by GSL |
|----------------------|---------------------------------|------------|--------------------------------|----------------------|
| Ville d Orion        | 4,113                           | 1997       | 2005                           | December 2007        |
| Ville d Aquarius     | 4,113                           | 1996       | 2005                           | December 2007        |
| CMA CGM Matisse      | 2,262                           | 1999       | 1999                           | December 2007        |
| CMA CGM Utrillo      | 2,262                           | 1999       | 1999                           | December 2007        |
| MOL Rainbow          | 2,207                           | 2003       | 2006                           | December 2007        |
| Julie Delmas         | 2,207                           | 2002       | 2006                           | December 2007        |
| Kumasi               | 2,207                           | 2002       | 2006                           | December 2007        |
| Marie Delmas         | 2,207                           | 2002       | 2006                           | December 2007        |
| CMA CGM La Tour      | 2,272                           | 2001       | 2001                           | December 2007        |
| CMA CGM Manet        | 2,272                           | 2001       | 2001                           | December 2007        |
| CMA CGM Alcazar      | 5,100                           | 2007       | 2007                           | January 2008         |
| CMA CGM Château d If | 5,100                           | 2007       | 2007                           | January 2008         |

(1) Twenty-foot Equivalent Units.

The following table provides information about the contracted fleet not reflected in these interim unaudited combined financial statements:

| Vessel Name     | Capacity in TEUs | Year Built | Purchase Date by GSL      |
|-----------------|------------------|------------|---------------------------|
| Hull 4.126      | 10,960           | 2008       | December 2008 (estimated) |
| CMA CGM Jamaica | 4,298            | 2006       | December 2008 (estimated) |
| CMA CGM Sambhar | 4,045            | 2006       | December 2008 (estimated) |
| CMA CGM America | 4,045            | 2006       | December 2008 (estimated) |
| CMA CGM Berlioz | 6,627            | 2001       | July 2009 (estimated)     |

**Net Investment by Predecessor Group**

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The initial fleet during the period of the Predecessor Group did not belong to a separate legal group, nor was it owned by a separate legal entity or operated as a discrete unit. Accordingly, there was no separate share capital and reserves for the periods covered by these combined financial statements up to the purchase of these vessels by the Company. The net investment by the Predecessor Group during this period of operations has been shown

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**Table of Contents****Global Ship Lease, Inc.****Notes to the Interim Unaudited Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

on the balance sheet as an amount due to CMA CGM and has been included within equity. This balance reflects the accumulated net investment by CMA CGM, including the accumulated net income relating to prior periods, and is impacted by all transactions as CMA CGM in effect was the source of finance for all operating, investing and financing transactions.

**Transfer to Global Ship Lease, Inc. and its subsidiaries**

Upon transfer of the 10 second hand vessels to the Company at various dates in December 2007 and the two newly built vessels in January 2008, the amount of retained other comprehensive income reflected within the balance sheet relating to the period up to each vessel's transfer has been reversed against the amount due to CMA CGM within equity as it is not being carried forward in the combined balance sheet. Reversals of the amount of retained other comprehensive income have been determined on a vessel by vessel basis up to the transfer date from Group Predecessor to Global Ship Lease and its subsidiaries. They are presented in line items "Other effect of the transfer of the ten vessels" and "Other effect of the transfer of the two vessels" included in the Combined Statements of Stockholders' Equity and analyze as follows:

|   | Amounts related to the ten<br>vessels transferred in<br>2007<br>and not carried<br>forward | Amounts related to the two<br>vessels transferred in<br>2008<br>and not carried<br>forward |
|---|--|--|
| Accumulated currency translation adjustment | \$ (10,747)  | \$ (4,739)   |
| Accumulated hedging cash flow reserve       | (15,781)   |  |
|   | \$ (26,528)  | \$ (4,739)   |

**3. Significant Accounting Policies**

The significant accounting policies used in preparing these interim unaudited financial statements are consistent with those in preparing Global Ship Lease, Inc.'s combined financial statements for the year ended December 31, 2007.

**4. Vessels in Operation, less Accumulated Depreciation**

|                          | March 31,<br>2008 | December 31,<br>2007 |
|--------------------------|-------------------|----------------------|
| Cost                     | \$ 540,621        | \$ 539,350           |
| Accumulated Depreciation | (68,742)          | (64,051)             |
| <b>Net Book Value</b>    | <b>\$ 471,879</b> | <b>\$ 475,299</b>    |

Variations in net book value of vessels including drydocking, are presented below:

|  | March 31,<br>2008 | December 31,<br>2007 |
|--|-------------------|----------------------|
| Net book value of vessels at opening balance | \$ 475,299        | \$ 286,229           |

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|   |                   |                   |
|---|-------------------|-------------------|
| Additions in the period                             | 1,600             | 188,463           |
| Depreciation  | (5,020)           | (16,119)          |
| Foreign currency translation adjustment             |                   | 16,726            |
| <b>Net book value of vessels at closing balance</b> | <b>\$ 471,879</b> | <b>\$ 475,299</b> |

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**Table of Contents****Global Ship Lease, Inc.****Notes to the Interim Unaudited Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

As of March 31, 2008 all 12 of the vessels of the initial fleet were pledged as securities under the credit facility agreement.

At March 31, 2008 under the asset purchase agreement the Company was committed to purchasing a further five vessels for an aggregate price of \$437,000 estimated to be payable in December 2008 and in July 2009.

**5. Amounts due to Group Companies**

Amounts due to Group Companies are summarized as follows:

|  | <b>March 31,<br/>2008</b> | <b>December 31,<br/>2007</b> |
|--|---------------------------|------------------------------|
| Shareholders Loan 5.25% per annum ((a) below)                      | \$ 176,875                | \$ 176,875                   |
| Accrued related party expenses                                     | 2,273                     | 1,191                        |
| Current account ((b) below)  |                           | 1,389                        |
| <b>Amounts due to Group Companies presented within liabilities</b> | <b>\$ 179,148</b>         | <b>\$ 179,455</b>            |

- (a) Under a shareholder's loan agreement dated December 11, 2007, the immediate parent company, CMA CGM, has provided the Company a credit facility of \$250,000 of which \$176,875 had been drawn down at March 31, 2008. The loan is unsecured, bears interest at 5.25% per annum and will only be repaid when the Company is refinanced.
- (b) As disclosed in note 9, CMA CGM provides Global Ship Lease, Inc. and subsidiaries with certain ship management services related to the operation of the Company's fleet.

**6. Long-term debt**

Long-term debt is summarized as follows:

|  | <b>March 31,<br/>2008</b> | <b>December 31,<br/>2007</b> |
|--|---------------------------|------------------------------|
| Debt payable to banks, at Libor USD + 0.75% to 1.10% (below) | \$ 401,100                | \$ 401,100                   |
| Less current instalments of long-term debt                   | (401,100)                 | (401,100)                    |
|  | <b>\$</b>                 | <b>\$</b>                    |

During 2007 the Company established an eight year \$800,000 senior secured revolving credit facility, which is referred to as the credit facility. The Company intends to draw funds under the credit facility to finance in part the purchase of the initial and contracted fleet and the purchase of additional vessels (assuming certain specific conditions are met), as well as for other general corporate purposes.

At March 31, 2008 the Company had drawn \$401,100 under this facility for the part purchase of the initial fleet of 12 vessels.

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Borrowings under the credit facility bear interest at a margin over one, three, six, nine or 12 month United States Dollar Libor, or such other periods as the Agent may agree. The margin varies between 0.75% and 1.10% depending on the Company's leverage ratio. Interest is payable at least quarterly.

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**Global Ship Lease, Inc.**

**Notes to the Interim Unaudited Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

The credit facility is secured by, inter alia, first priority mortgages on each of the vessels in the security package, a pledge of shares of the vessel owning subsidiaries as well as assignments of earnings and insurances. In addition, CMA CGM has provided a corporate guarantee on the amounts outstanding.

It is the intention of the Company to seek a listing on a public stock exchange. Under the terms of the credit facility, should this not have happened by September 30, 2008, then following discussions with the lenders, the facility may be converted to a fully amortizing loan or, if agreement has not been reached with the lenders, all amounts outstanding will be repaid.

Following completion of the agreement and merger plan, referred to in note 10, which is expected to take place in the third quarter 2008, the credit facility will remain in full force and effect.

**7. Commitments and Contingencies**

**Property Leases**

The Company occupies office space in London, paying \$11 per month. The licence ends on October 3, 2008. To extend the term in the office, three months prior written notice is required from the Company. A deposit of two months licence fee has been paid.

**Contracted Vessel Purchases**

As reported in note 4, the Company has contracted to purchase a further five vessels from CMA CGM with an aggregate cost of \$437,000.

**Charter Hire Receivable**

The Company has entered into long term charters for its vessels owned at March 31, 2008, with aggregate hires receivable set out in note 9.

**8. Operating Segments**

The Company operated under two business models from which it derives its revenues reported within these interim unaudited combined financial statements: freight revenues generated by the containerized transportation of a broad range of industrial and customer goods by the Predecessor Group and the provision of vessels under time charters to container shipping companies by Global Ship Lease, Inc. and subsidiaries. Following the delivery of the initial fleet of 12 vessels in December 2007 and January 2008, the activity consists solely of ownership and provision of vessels for container shipping under time charters.

**Table of Contents****Global Ship Lease, Inc.****Notes to the Interim Unaudited Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

During the three months ended March 31, 2008 and 2007 the activities can be analysed as follows:

|                                     | Three months ended March 31, 2008 |                 |          | Three months ended                                |
|-------------------------------------|-----------------------------------|-----------------|----------|---|
|                                     | Containerized<br>Transportation   | Time<br>charter | Total    | March 31, 2007<br>Containerized<br>Transportation |
| Operating revenues:                 | 2,072                             | 21,822          | 23,894   | 76,985  |
| Operating expenses:                 |                                   |                 |          |   |
| Voyage expenses                     | (1,944)                           |                 | (1,944)  | (58,489)  |
| Vessel expenses                     | (181)                             | (7,164)         | (7,345)  | (5,842)   |
| Depreciation                        | (261)                             | (4,759)         | (5,020)  | (3,753)   |
| General and administrative          | (57)                              | (665)           | (722)    | (2,854)   |
| Other operating expense             | (280)                             |                 | (280)    | (97)  |
| Total operating expenses            | (2,723)                           | (12,588)        | (15,311) | (71,035)  |
| Operating income(expense)           | (651)                             | 9,234           | 8,583    | 5,949   |
| Interest expense                    |                                   | (7,932)         | (7,932)  | (2,498)   |
| Income(expense) before income taxes | (651)                             | 1,302           | 651      | 3,451   |
| Taxes on income                     |                                   | (16)            | (16)     |   |
| Net income/(expense)                | (651)                             | 1,286           | 635      | 3,451   |

**9. Related Party Transactions**

All related party balances and transactions are between the Company and its immediate parent CMA CGM or fellow subsidiaries.

**Asset Purchase Agreement**

As reported in Note 2, the Company entered into an asset purchase agreement with CMA CGM on December 5, 2007. Pursuant to this agreement, during December 2007, the Company purchased 10 secondhand vessels for a total price of \$385,000 and in January 2008, the company purchased two newly built vessels for a total price of \$188,000.

Under the asset purchase agreement, the Company is committed to purchasing a further five vessels from CMA CGM for an aggregate price of \$437,000.

**Table of Contents****Global Ship Lease, Inc.****Notes to the Interim Unaudited Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

**Time Charter Agreements**

All vessels were time chartered to CMA CGM during the period. Under the time charters (including those relating to vessels due for delivery later in 2008 and in 2009), hire is paid in advance and the daily rate is fixed for the duration of the charter. The charters are for periods of between five and 17 years and the maximum annual charter hire receivable for the fleet of 12 vessels as at March 31, 2008 and for the total contracted fleet of 17 vessels, taking account of actual or anticipated delivery dates and before allowance for any off-hire periods, is as follows:

| Year ended March 31, | Initial fleet<br>operated as<br>March 31,<br>2008 | Total fleet to be<br>operated<br>including vessels<br>to be delivered<br>in 2008 and 2009 |
|----------------------|---|---|
| 2009                 | \$ 92,473   | \$ 105,199  |
| 2010                 | 92,425  | 145,375   |
| 2011                 | 92,679  | 149,317   |
| 2012                 | 92,425  | 148,909   |
| 2013 and thereafter  | 498,026   | 1,140,241   |
| <b>Total</b>         | <b>\$ 868,028</b>                                 | <b>\$ 1,689,041</b>   |

**Ship Management Agreement**

Global Ship Lease, Inc. and subsidiaries outsource day to day technical management of its vessels to a ship manager who is closely supervised by the Company's own staff. The ship manager for the initial and contracted fleet is CMA Ships, a wholly owned subsidiary of CMA CGM. CMA CGM guarantees the performance of all services and any payment due to the Company by the ship manager pursuant to the ship manager agreements. The ship management agreements are for a period of three years from the date of delivery of the vessels to Global Ship Lease, Inc. and its subsidiaries, although they can be terminated by the Company in certain circumstances.

Global Ship Lease, Inc. and subsidiaries pay CMA Ships an annual management fee of \$114 per vessel and reimburse costs incurred on its behalf mainly being for the provision of crew and lubricating oils and routine maintenance. Such reimbursement is subject to a cap of between \$5.4 and \$8.8 per day depending on the vessel. Ship management fees expensed for the three months ended March 31, 2008 amounted to \$335 (nil for the three months ended March 31, 2007).

**10. Agreement and plan of merger with Marathon Acquisition Corp.**

The Company entered into an agreement and plan of merger dated March 21, 2008 with Marathon Acquisition Corp. ( Marathon ), GSL Holdings, Inc. ( GSL Holdings ) and CMA CGM pursuant to which Marathon will merge with and into GSL Holdings, its newly-formed, wholly owned Marshall Islands subsidiary, and then the Company will merge with and into GSL Holdings, with GSL Holdings continuing as the surviving company incorporated in the Republic of the Marshall Islands and to be renamed Global Ship Lease, Inc. (such mergers collectively, the Merger ). As a result of the Merger, each holder of a share of common stock of Marathon issued and outstanding immediately prior to the effective time of the Merger will receive Class A common shares of GSL Holdings, except that Marathon Founders, LLC and other initial stockholders will receive an aggregate of 5,000,000 Class B common shares of GSL Holdings in lieu of an equal number of Class A common shares; and CMA CGM will receive \$66,570 in cash, 7,844,600 Class A common shares of



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**Global Ship Lease, Inc.**

**Notes to the Interim Unaudited Combined Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

GSL Holdings, 5,000,000 Class B common shares of GSL Holdings, and 12,375,000 Class C common shares of GSL Holdings. The rights of holders of Class B common shares will be identical to those of holders of Class A common shares subject to meeting certain tests, except that the holders of Class B common shares will not be entitled to receive any dividends with respect to any quarter prior to the first quarter of 2009 and their dividend rights will be subordinated to those of holders of Class A common shares until at least the third quarter of 2011. The rights of holders of Class C common shares will be identical to those of holders of Class A common shares, except that holders of Class C common shares will not be entitled to receive any dividends and the Class C common shares will convert into Class A common shares on a one-for-one basis on January 1, 2009.

The merger agreement contains customary representations, warranties and covenants by each of the parties. The representations and warranties do not survive the closing. The obligations of Marathon and GSL Holdings, on the one hand, and CMA CGM and the Company, on the other hand, to consummate the Merger are subject to certain closing conditions. The merger is expected to be completed during the third quarter of 2008, pending Marathon stockholder and warrant holder approval. Following the closing of the transaction, the Company will have an independent board with no representation by CMA CGM. The lenders under the credit facility have consented to the transaction.

Immediately prior to the Merger, the Company will enter into an amendment and restatement of the asset purchase agreement pursuant to which the Company will purchase five additional vessels from CMA CGM with expected delivery in December 2008 and July 2009 for an aggregate purchase price of \$437,000, of which \$99,000 will be deemed to be prepaid by the consideration paid to CMA CGM in the Merger (see note 9).

Immediately prior to the Merger, the applicable subsidiaries of the Company will enter into amended and restated charter agreements with CMA CGM or its applicable subsidiaries pursuant to which CMA CGM or its applicable subsidiary will charter the Company's vessels (see note 9)

Immediately prior to the Merger, the applicable subsidiaries of the Company will enter into amended and restated ship management agreements with CMA Ships, a wholly owned subsidiary of CMA CGM, pursuant to which the Company and its subsidiaries will outsource day to day technical management of its vessels to CMA Ships (see note 9)

**11. Subsequent events**

Subsequent to the period end, the Company entered into certain derivative interest rate agreements to fix the interest rate on debt drawn or anticipated to be drawn under its credit facility. A total of \$444,000 of anticipated core debt has been swapped at an average rate of 3.54%. The anticipated core debt assumes that the Merger noted in note 10 above takes place and includes debt anticipated to be drawn to purchase the four vessels scheduled for delivery in December 2008. It excludes the anticipated debt for the purchase of the final contracted vessel scheduled for delivery in July 2009.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders

Marathon Acquisition Corp

We have audited Marathon Acquisition Corp. internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). Marathon Acquisition Corp s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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.

In our opinion, Marathon Acquisition Corp. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the balance sheets of Marathon Acquisition Corp. as of December 31, 2007 and 2006 and the results of its operations and its cash flows for the year ended December 31, 2007, for the period from April 27, 2006 (inception) through December 31, 2006 and for the period from April 27, 2006 (inception) through December 31, 2007, and our report dated March 14, 2008 expressed an unqualified opinion on those financial statements and included an explanatory paragraph about the Company s ability to continue as a going concern.

**/s/ Eisner LLP**

New York, New York

March 14, 2008

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders

Marathon Acquisition Corp.

We have audited the accompanying balance sheets of Marathon Acquisition Corp (a development stage company) (the Company) as of December 31, 2007, and 2006 and the related statements of operations, stockholders' equity, and cash flows for the year ended December 31, 2007, the period from April 27, 2006 (inception) through December 31, 2006 and for the period from April 27, 2006 (inception) through December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2007, 2006, and the results of its operations and its cash flows for the year ended December 31, 2007, the period from April 27, 2006 (inception) through December 31, 2006 and for the period from April 27, 2006 (inception) through December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1, the Company's Certificate of Incorporation provides for mandatory liquidation of the Company in the event that the Company does not consummate a business combination within 18 months of the Company's initial public offering or 24 months of the Company's initial public offering if certain extension criteria are met. The possibility of such business combination not being consummated within the required time raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on criteria established in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 14, 2008 expressed an unqualified opinion thereon.

**/s/ Eisner LLP**

New York, New York

March 14, 2008

**Table of Contents****MARATHON ACQUISITION CORP.****(a development stage company)****BALANCE SHEETS**

|   | December 31,<br>2007  | December 31,<br>2006  |
|---|-----------------------|-----------------------|
| <b>ASSETS</b>   |                       |                       |
| Current assets:   |                       |                       |
| Cash and cash equivalents   | \$ 2,671,034          | \$ 1,370,943          |
| Prepaid expenses and income taxes   | 39,935                | 181,304               |
| Prepaid income taxes  | 458,139               |                       |
| Interest receivable   | 999,199               | 1,333,770             |
| <b>Total current assets</b>   | <b>4,168,307</b>      | <b>2,886,017</b>      |
| Investments held in trust account   | 314,130,809           | 308,608,131           |
| Deferred tax asset  |                       | 193,441               |
| <b>Total assets</b>   | <b>\$ 318,299,116</b> | <b>\$ 311,687,589</b> |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>  |                       |                       |
| Current liabilities:  |                       |                       |
| Accrued expenses  | \$ 162,559            | \$ 215,316            |
| Income tax payable  | 47,886                | 66,398                |
| Deferred underwriting discounts and commissions   | 6,405,736             | 6,405,736             |
| <b>Total current liabilities</b>  | <b>6,616,181</b>      | <b>6,687,450</b>      |
| Common stock subject to possible conversion (8,003,166 shares at \$7.72 per share)  | 61,795,116            | 61,795,116            |
| Interest attributable to common stock subject to possible conversion (net of income taxes of \$1,156,989 at December 31, 2007)  | 1,402,720             |                       |
| Stockholders' equity:   |                       |                       |
| Preferred stock, \$0.0001 par value, 1,000,000 shares authorized; none issued or outstanding  |                       |                       |
| Common stock, \$0.0001 par value, 249,000,000 shares authorized; 49,410,850 shares issued and outstanding (including 8,003,166 shares subject to possible conversion) | 4,942                 | 4,942                 |
| Additional paid-in capital  | 240,553,066           | 240,553,066           |
| Retained earnings accumulated during development stage  | 7,927,091             | 2,647,015             |
| <b>Total stockholders' equity</b>   | <b>248,485,099</b>    | <b>243,205,023</b>    |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 318,299,116</b> | <b>\$ 311,687,589</b> |

See accompanying notes to financial statements



**Table of Contents****MARATHON ACQUISITION CORP.****(a development stage company)****STATEMENTS OF OPERATIONS**

|   | Year ended<br>December 31,<br>2007 | Period from<br>April 27,<br>2006<br>(inception)<br>through<br>December 31,<br>2006 | Period from<br>April 27,<br>2006<br>(inception)<br>through<br>December 31,<br>2007 |
|---|------------------------------------|--|--|
| Formation and general and administrative costs  | \$ 1,183,948                       | \$ 423,957   | \$ 1,607,904   |
| Net loss from operations  | (1,183,948)                        | (423,957)  | (1,607,904)  |
| Other income interest   | 14,875,339                         | 5,253,929  | 20,129,268   |
| Income before provision for taxes   | 13,691,391                         | 4,829,972  | 18,521,364   |
| Provision for income taxes  | (7,008,594)                        | (2,182,957)  | (9,191,552)  |
| Net income  | 6,682,797                          | 2,647,015  | 9,329,812  |
| Less: Interest attributable to common stock subject to possible conversion (net of income taxes of \$1,156,989) | (1,402,721)                        |  | (1,402,721)  |
| Net income attributable to common stock not subject to possible conversion                                      | \$ 5,280,076                       | \$ 2,647,015   | \$ 7,927,091   |
| Maximum number of shares subject to possible conversion:  |                                    |  |  |
| Weighted average shares outstanding subject to possible conversion  | 8,003,166                          | 4,162,937  |  |
| Income per share amount (basic and diluted)   | \$ 0.18                            | \$ 0.00  |  |
| Weighted average number of shares outstanding not subject to possible conversion                                |                                    |  |  |
| Basic   | 41,407,684                         | 26,035,219   |  |
| Diluted   | 52,374,624                         | 30,224,108   |  |
| Net income per share amount   |                                    |  |  |
| Basic   | \$ 0.13                            | \$ 0.10  |  |
| Diluted   | \$ 0.10                            | \$ 0.09  |  |

See accompanying notes to financial statements

**Table of Contents****MARATHON ACQUISITION CORP.****(a development stage company)****STATEMENT OF STOCKHOLDERS EQUITY****For the period from April 27, 2006 (inception) through December 31, 2007**

|   | Common Stock |          | Additional<br>Paid-In<br>Capital | Earnings<br>Accumulated<br>in the<br>Development<br>Stage | Stockholders<br>Equity |
|---|--------------|----------|----------------------------------|---|------------------------|
|   | Shares       | Amount   |                                  |   |                        |
| Issuance of common stock to initial stockholders  | 9,375,000    | \$ 938   | \$ 24,062                        | \$  | \$ 25,000              |
| Sale of 40,035,850 units, net of underwriters discounts and commissions and offering expenses (including 8,003,166 shares subject to possible conversion) | 40,035,850   | 4,004    | 296,824,120                      |   | 296,828,124            |
| Sale of private placement warrants  |              |          | 5,500,000                        |   | 5,500,000              |
| Net proceeds subject to possible conversion of 8,003,166 shares   |              |          | (61,795,116)                     |   | (61,795,116)           |
| Net Income  |              |          |                                  | 2,647,015   | 2,647,015              |
| Balance at December 31, 2006  | 49,410,850   | \$ 4,942 | \$ 240,553,066                   | \$ 2,647,015  | \$ 243,205,023         |
| Accretion of trust account relating to common stock subject to possible conversion  |              |          |                                  | (1,402,721)   | (1,402,721)            |
| Net income  |              |          |                                  | 6,682,797   | 6,682,797              |
| Balance at December 31, 2007  | 49,410,850   | \$ 4,942 | \$ 240,553,066                   | \$ 7,927,091  | \$ 248,485,099         |

See accompanying notes to financial statements

**Table of Contents****MARATHON ACQUISITION CORP.****(a development stage company)****STATEMENTS OF CASH FLOWS**

|  | Year ended<br>December 31,<br>2007 | Period from<br>April 27, 2006<br>(inception)<br>through<br>December 31,<br>2006 | Period from<br>April 27, 2006<br>(inception)<br>through<br>December 31,<br>2007 |
|--|------------------------------------|---|---|
| <b>Cash flows from operating activities</b>                                |                                    |   |   |
| Net income   | \$ 6,682,797                       | \$ 2,647,015  | \$ 9,329,812  |
| Adjustments to reconcile net loss to net cash used in operating activities |                                    |   |   |
| Deferred income taxes  | 193,441                            | (193,441)   |   |
| Changes in:  |                                    |   |   |
| Prepaid expenses   | 104,564                            | (181,304)   | (76,740)  |
| Interest receivable  | 334,571                            | (1,333,770)   | (999,199)   |
| Accrued expenses   | (52,757)                           | 215,316   | 162,559   |
| Income tax payable   | (439,847)                          | 66,398  | (373,449)   |
| <br>Net cash provided by operating activities                              | <br>6,822,769                      | <br>1,220,214   | <br>8,042,983   |
| <br><b>Cash flows from investing activities</b>                            |                                    |   |   |
| Investments held in trust account  | (5,522,678)                        | (308,608,131)   | (314,130,809)   |
| <br>Net cash used by investing activities                                  | <br>(5,522,678)                    | <br>(308,608,131)   | <br>(314,130,809)   |
| <br><b>Cash flows from financing activities</b>                            |                                    |   |   |
| Proceeds from note to stockholder  |                                    | 225,000   | 225,000   |
| Repayment of note to stockholder   |                                    | (225,000)   | (225,000)   |
| Proceeds from public offering, net   |                                    | 303,233,860   | 303,233,860   |
| Proceeds from issuance of warrants   |                                    | 5,500,000   | 5,500,000   |
| Proceeds from issuance of securities to initial stockholders               |                                    | 25,000  | 25,000  |
| <br>Net cash provided by financing activities                              |                                    | <br>308,758,860   | <br>308,758,860   |
| <br>Net increase in cash   | <br>1,300,091                      | <br>1,370,943   | <br>2,671,034   |
| Cash beginning of period   | 1,370,943                          |   |   |
| <br>Cash end of period   | <br>\$ 2,671,034                   | <br>\$ 1,370,943  | <br>\$ 2,671,034  |
| <br><b>Non-cash financing activities</b>                                   |                                    |   |   |
| Deferred underwriting discounts and commissions                            | \$                                 | \$ 6,405,736  | \$ 6,405,736  |
| Cash paid for income taxes   | \$ 7,255,000                       | \$ 2,310,000  | \$ 9,665,000  |

See accompanying notes to financial statements



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**MARATHON ACQUISITION CORP.**

**(a development stage company)**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**Note 1 Organization and Nature of Business Operations/Basis of Presentation**

Marathon Acquisition Corp. (the Company) was incorporated in Delaware on April 27, 2006 as a blank check company whose objective is to acquire, through a merger, stock exchange, asset acquisition, reorganization or similar business combination, one or more currently unidentified operating business or businesses. The Company is considered to be in the development stage and is subject to the risks associated with activities of development stage companies. All activity through December 31, 2007 relates to the company's formation, initial public offering (the Offering) and efforts to identify prospective target businesses described below and in Note 3. At December 31, 2007, the Company had not commenced any operations.

The registration statement for the Offering was declared effective August 24, 2006. The Company consummated the Offering on August 30, 2006 and received proceeds of approximately \$279,000,000, net of underwriting discounts and commissions of approximately \$21,000,000 (including approximately \$6,000,000 of deferred underwriting discounts and commissions placed in the trust account pending completion of a business combination). In addition, on September 22, 2006 the underwriters for the Offering exercised their over-allotment option (the Over-Allotment Option Exercise), which closed on September 27, 2006, generating proceeds of approximately \$18,867,000, net of underwriting discounts and commissions of approximately \$1,420,000 (including approximately \$400,000 of deferred underwriting discounts and commissions placed in the trust account pending completion of a business combination). The Company incurred additional offering expenses of approximately \$1,039,000, which have been charged to additional paid-in capital. The Company's management has broad discretion with respect to the specific application of the net proceeds of the Offering and the Over-Allotment Option Exercise, although substantially all of the net proceeds of the Offering and the Over-Allotment Option Exercise are intended to be generally applied toward consummating a business combination with an operating company or companies. As used herein, a Target Business shall mean one or more businesses that at the time of the Company's initial business combination has a fair market value of at least 80% of the balance in the trust account (excluding deferred underwriting discounts and commissions of approximately \$6.4 million) described below and a Business Combination shall mean the acquisition by the Company of such Target Business. Furthermore, there is no assurance that the Company will be able to successfully effect a Business Combination.

The Company's efforts in identifying prospective target businesses will not be limited to a particular industry. Instead, the Company intends to focus on various industries and target businesses in the United States and Western Europe that may provide significant opportunities for growth.

Upon the closing of the Offering and the Over-Allotment Option Exercise by the underwriters, approximately \$308.8 million was placed in a trust account invested until the earlier of (i) the consummation of the Company's initial Business Combination or (ii) the liquidation of the Company. The amount placed in the trust account consisted of the proceeds of this offering and the concurrent private placement of warrants discussed in Note 4 as well as approximately \$6.4 million of deferred underwriting discounts and commissions that will be released to the underwriters on completion of a Business Combination. The remaining proceeds outside of the trust account as well as the interest income of up to \$3.9 million earned on the trust account balance that may be released to the Company (as described below) may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses; provided, however, that after such release there remains in the trust account a sufficient amount of interest income previously earned on the trust account balance to pay any income taxes on such \$3.9 million of interest income.

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**MARATHON ACQUISITION CORP.**

**(a development stage company)**

**NOTES TO FINANCIAL STATEMENTS (continued)**

The Company will seek stockholder approval before it will effect any Business Combination, even if the Business Combination would not ordinarily require stockholder approval under applicable state law. In connection with the stockholder vote required to approve any Business Combination, the Company's Initial Stockholders have agreed to vote the shares of common stock owned by them immediately before the Offering in accordance with the majority of the shares of common stock voted by the Public Stockholders. Public Stockholders is defined as the holders of common stock sold as part of the Units in the Offering or in the aftermarket. The Company will proceed with a Business Combination only if a majority of the shares of common stock voted by the Public Stockholders are voted in favor of the Business Combination and Public Stockholders owning less than 20% of the shares sold in the Offering exercise their conversion rights. The Initial Stockholders and Marathon Investors, LLC, an entity controlled by the Company's chairman and chief executive officer, have agreed that if they acquire shares of common stock in or following the Offering, they will vote all such acquired shares in favor of any Business Combination submitted for stockholder approval. If a majority of the shares of common stock voted by the Public Stockholders are not voted in favor of a proposed initial Business Combination but 24 months has not yet passed since closing of the Offering, the Company may combine with another Target Business meeting the fair market value criterion described above.

If a Business Combination is approved and completed Public Stockholders voting against a Business Combination will be entitled to convert their stock into a pro rata share of the total amount on deposit in the trust account, before payment of deferred underwriting discounts and commissions and including any interest earned on their pro rata portion of the trust account, net of income taxes payable thereon, and net of any interest income of up to \$3.9 million on the balance of the trust account previously released to the Company to fund its working capital requirements (subject to the tax holdback). Public Stockholders who exercise their conversion rights will continue to have the right to exercise any Warrants they may hold. It is important to note that voting against a Business Combination alone will not result in conversion of a stockholder's shares into a *pro rata* share of the trust account, which only occurs when the stockholder exercises the conversion rights described above.

In the event that the Company does not effect a Business Combination within 24 months after consummation of the Offering, the Company will dissolve and promptly distribute only to its Public Stockholders the amount in the trust account, including accrued interest, less any income taxes payable on interest income and any interest income of up to \$3.9 million on the balance of the trust account previously released to the Company to fund its working capital requirements, including the costs of the Company's dissolution and liquidation (subject to the tax holdback), plus any remaining net assets. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including trust account assets) will be less than the price per share in the Offering (assuming no value is attributed to the Warrants contained in the Units in the Offering discussed in Note 3.)

**Going concern consideration** As indicated in the accompanying financial statements, at December 31, 2007 the Company had unrestricted cash of \$2,671,034 and \$210,445 in accrued expenses and income taxes payable. The Company believes it will have sufficient available funds outside of the trust account to operate through August 30, 2008. However, the Company has incurred and expects to incur significant costs in pursuit of its acquisition plans. In addition, there is no assurance that the Company will successfully complete a Business Combination by August 30, 2008. If such business combination is not consummated the Company will be forced to liquidate upon expiration of this time constraint. These factors, among others, raise substantial doubt about the Company's ability to continue operations as a going concern. The accompanying financial statements do not include any adjustments that may result from the outcome of this uncertainty.

**Table of Contents****MARATHON ACQUISITION CORP.****(a development stage company)****NOTES TO FINANCIAL STATEMENTS (continued)****Note 2 Summary of Significant Accounting Policies****[a] Cash and cash equivalents:**

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The trust assets are invested in one or more money market funds.

**[b] Earnings per common share:**

- (a) Basic earnings per common share for all periods is computed by dividing the earnings applicable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted income per share reflects the potential dilution assuming common shares were issued upon the exercise of outstanding in the money warrants and the proceeds thereof were used to purchase common shares at the average market price during the period.
- (b) The Company's statement of operations includes a presentation of earnings per share for common stock subject to possible conversion in a manner similar to the two-class method of earnings per share. Basic and diluted net income per share amount for the maximum number of shares subject to possible conversion is calculated by dividing the net interest income attributable to common shares subject to conversion (\$1,402,721, \$0 and \$1,402,721 for the year ended December 31, 2007, for the period from April 27, 2006 (inception) through December 31, 2006, and for the period from April 27, 2006 (inception) through December 31, 2007, respectively) by the weighted average number of shares subject to possible conversion. Basic and diluted net income per share amount for the shares outstanding not subject to possible conversion is calculated by dividing the net income exclusive of the net interest income attributable to common shares subject to conversion by the weighted average number of shares not subject to possible conversion

At December 31, 2007 and 2006, the Company had outstanding warrants to purchase 45,535,850 shares of common stock.

The weighted average number of shares used in the basic and diluted net income per share for shares outstanding not subject to possible conversion are as follows:

|  | For the year<br>ended<br>December 31,<br>2007 | For the period<br>April 27, 2006<br>(inception)<br>through<br>December 31,<br>2006 |
|--|---|--|
| Weighted average number of shares outstanding as used in computation of basic income per share | 41,407,684                                    | 26,035,219   |
| Effect of diluted securities warrants  | 10,966,940                                    | 4,188,889  |
| Shares used in computation of diluted income per share   | 52,374,624                                    | 30,224,108   |

**[c] Interest attributable to common stock subject to possible conversion:**

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Upon consummation of a Business Combination, the Public Stockholders voting against the Business Combination will be entitled to interest earned on their pro rata portion of the trust account, net of allocable taxes at the statutory rate (45.2%) less \$3.9 million previously released to the Company to fund its working capital

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**MARATHON ACQUISITION CORP.**

**(a development stage company)**

**NOTES TO FINANCIAL STATEMENTS (continued)**

requirements. Assuming maximum conversion of 19.99%, the interest attributable to common stock subject to conversion as of December 31, 2007 would be \$1.4 million. There was no interest attributable to common stock as of December 31, 2006 because during the period, the interest on the trust account less allocable taxes did not exceed the \$3.9 million allocated to working capital.

**[d] Use of estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**[e] Financial instruments:**

The Company's financial instruments consist principally of cash, cash equivalents and investments held in the trust. The Company believes the financial instruments' recorded values approximate current values because of their nature and respective durations.

**[f] Income taxes:**

Deferred income taxes are provided for the differences between the bases of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

**[g] Recent accounting developments:**

In September 2006, the Financial Accounting Standards Board ( FASB ) issues SFAS No. 157, Fair Value Measurements ( SFAS 157 ) This statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement is effective for financial statements issues for fiscal years beginning after November 15, 2007; however, earlier application is encouraged. The Company does not expect that the adoption of SFAS 157 will have a material impact on its financial statements.

In July 2006, the Financial Accounting Standards Board issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109, ( FIN 48 ), which clarifies the accounting for uncertainty in tax positions. This interpretation requires that we recognize, in our condensed financial statements, the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 were effective as of January 1, 2007. We have evaluated our tax positions and the adoption of this pronouncement did not have a material impact on our financial position or results of operations. The Company's 2006 tax return has not been audited by federal or state authorities. The Company will account for penalties and interest associated with any tax audits as an operating expense.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ( SFAS 159 ), which permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for the first quarter of 2008. The Company is currently evaluating the impact of SFAS 159.

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**MARATHON ACQUISITION CORP.**

**(a development stage company)**

**NOTES TO FINANCIAL STATEMENTS (continued)**

*Business Combinations* In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ( SFAS 141(R) ). SFAS 141(R) expands the definition of transactions and events that qualify as business combinations; requires that the acquired assets and liabilities, including contingencies, be recorded at the fair value determined on the acquisition date and changes thereafter reflected in revenue, not goodwill; changes the recognition timing for restructuring costs; and requires acquisition costs to be expensed as incurred. Adoption of SFAS 141(R) is required for combinations after December 15, 2008. Early adoption and retroactive application of SFAS 141(R) to fiscal years preceding the effective date are not permitted. The Company is currently evaluating the impact of SFAS 141(R) on the financial statements.

*Noncontrolling Interest in Consolidated Financial Statements* In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements* ( SFAS 160 ). SFAS 160 re-characterizes minority interests in consolidated subsidiaries as non-controlling interests and requires the classification of minority interests as a component of equity. Under SFAS 160, a change in control will be measured at fair value, with any gain or loss recognized in earnings. The effective date for SFAS 160 is for annual periods beginning on or after December 15, 2008. Early adoption and retroactive application of SFAS 160 to fiscal years preceding the effective date are not permitted. The Company is currently evaluating the impact of SFAS 160 on the financial statements.

**Note 3 Initial Public Offering**

On August 30, 2006, the Company sold to the public 37,500,000 units ( Units ) at a price of \$8.00 per unit. Each Unit consists of one share of the Company's common stock, \$0.0001 par value, and one Redeemable Common Stock Purchase Warrant ( Warrant ). Each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of \$6.00 commencing the later of the completion of a Business Combination with a Target Business or November 24, 2007 and expiring August 24, 2010, unless earlier redeemed. The Warrants will be redeemable at a price of \$0.01 per Warrant upon 30 days notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least \$11.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the date on which notice of redemption is given.

In accordance with the Warrant Agreement related to the Warrants (the Warrant Agreement ), the Company is only required to use its best efforts to effect the registration of the shares of common stock underlying the Warrants. The Company will not be obligated to deliver securities, and there are no contractual penalties for failure to deliver securities, if a registration statement is not effective at the time of exercise. Additionally, in the event that a registration statement is not effective at the time of exercise, the holder of such Warrant shall not be entitled to exercise such Warrant and in no event (whether in the case of a registration statement not being effective or otherwise) will the Company be required to net cash settle the warrant exercise. Consequently, the Warrants may expire unexercised and unredeemed.

On September 27, 2006 the Company sold an additional 2,535,850 Units pursuant to the Over-Allotment Option Exercise.

**Note 4 Note Payable to Affiliate and Related Party Transactions**

The Company issued an aggregate of \$225,000 in an unsecured promissory note to the Company's chairman, chief executive officer and secretary on May 10, 2006. The note was non-interest bearing and was payable on the earlier of December 31, 2006 or the consummation of the Offering by the Company. The note was fully repaid on August 30, 2006 and no further amounts are due.

**Table of Contents****MARATHON ACQUISITION CORP.****(a development stage company)****NOTES TO FINANCIAL STATEMENTS (continued)**

The Company has agreed to pay up to \$7,500 a month in total for office space and general and administrative services to an affiliate of the Company's chairman, chief executive officer and secretary. Services will commence on the completion of the Offering and will terminate upon the earlier of (i) the consummation of a Business Combination, or (ii) the liquidation of the Company. The Company paid \$90,000 for the year ended December 31, 2007, \$30,000 for the period from April 27, 2006 through December 31, 2006 and \$120,000 for the period from April 27, 2006 through December 31, 2007.

On August 30, 2006, Marathon Investors, LLC, an entity owned and controlled by the Company's chairman, chief executive officer and secretary, purchased an aggregate of 5,500,000 sponsor warrants at a price of \$1.00 per warrant from the Company. This price approximates fair value as based on the anticipated trading price of the warrants and on the historical trading price of other comparable company warrants. Each warrant is exercisable at a price of \$6.00. Marathon Investors, LLC has agreed that it will not sell or transfer these warrants until completion of a Business Combination, except in certain limited circumstances.

The Initial Stockholders and Marathon Investors, LLC will be entitled to make up to two demands that the Company register the 9,375,000 shares and the 5,500,000 shares of common stock underlying the sponsor warrants, pursuant to an agreement signed in connection with the Offering. The Initial Stockholders and Marathon Investors, LLC may elect to exercise these registration rights at any time (i) after the expiration of the transfer restrictions relating to the shares of common stock and (ii) after the sponsor warrants have become exercisable by their times, in the case of such warrants and the underlying common stock. In addition, the Initial Stockholders and Marathon Investors, LLC have certain piggy back registration rights on registration statements filed subsequent to the date on which these shares of common stock are no longer subject to such transfer restrictions or the sponsor warrants become exercisable. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

**Note 5 Units**

On May 11, 2006, the Initial Stockholders purchased 9,375,000 of the Company's securities for an aggregate purchase at a price of \$25,000. Each security consisted of one share of the Company's common stock and one warrant to purchase one share of the Company's common stock. On July 31, 2006, the Initial Stockholders irrevocably agreed to relinquish all of their right, title and interest in and to the warrants contained in such securities. As a result, the Company has cancelled these warrants.

**Note 6 Preferred Stock**

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

**Note 7 Prepaid Expenses**

The Company's prepaid expenses asset consisted of the following:

|  |                   |
|--|-------------------|
| Insurance  | \$ 39,936         |
| New York State and New York City corporation tax | 458,138           |
| <b>Total prepaid expenses</b>                    | <b>\$ 498,074</b> |



**Table of Contents****MARATHON ACQUISITION CORP.****(a development stage company)****NOTES TO FINANCIAL STATEMENTS (continued)****Note 8 Income Taxes**

The Company's provision for income taxes consisted of the following:

|                            | Year ended<br>December 31,<br>2007 | Period from<br>April 27, 2006<br>(inception)<br>through<br>December 31,<br>2006 | Period from<br>April 27, 2006<br>(inception)<br>through<br>December 31,<br>2007 |
|----------------------------|------------------------------------|---|---|
| Current                    |                                    |   |   |
| Federal                    | \$ 4,439,626                       | \$ 1,573,700  | \$ 6,079,282  |
| State                      | 2,375,968                          | 802,698   | 3,112,710   |
| Total current              | 6,815,594                          | 2,376,398   | 9,191,992   |
| Deferred                   | 193,000                            | (193,441)   |   |
| Provision for income taxes | \$ 7,008,594                       | \$ 2,182,927  | \$ 9,191,992  |

The difference between the actual income tax expense and that computed by applying the U.S. federal income tax rate of 35% to pretax income from operations is summarized below:

|   | Year ended<br>December 31,<br>2007 | Period from<br>April 27, 2006<br>(inception)<br>through<br>December 31,<br>2006 | Period from<br>April 27, 2006<br>(inception)<br>through<br>December 31,<br>2007 |
|---|------------------------------------|---|---|
| Computed expected tax expense                       | 35.0%                              | 35.0%   | 35.0%   |
| State and local income taxes net of federal benefit | 11.1%                              | 10.5%   | 10.7%   |
| Change in valuation allowance                       | 5.0%                               |   | 4.0%  |
| Effective tax rate                                  | 51.1%                              | 45.5%   | 49.7%   |

The Company is considered in the development stage for income tax reporting purposes. Federal income tax regulations require that the Company defer certain expenses for tax purposes. Therefore, the Company has recorded a deferred income tax asset of \$725,000 and \$193,000 as of December 31, 2007 and 2006, respectively. The Company believes that it is not more likely than not that it will be able to realize this deferred tax asset in the future and, therefore, it has provided a valuation allowance against this deferred tax asset. The valuation allowances increased by approximately \$725,000 during 2007, which includes establishing a valuation allowance against the deferred tax assets of December 31, 2007.

**Note 9 Recent Developments**

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On February 20, 2008, the Company announced that it had met the criteria under its Amended and Restated Certificate of Incorporation permitting it to extend the period in which the Company is able to complete a business combination until the expiration of the 24-month period from the consummation of its initial public offering, or August 30, 2008.

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**Table of Contents****MARATHON ACQUISITION CORP.****(a development stage company)****NOTES TO FINANCIAL STATEMENTS (continued)****Note 10 Summarized Quarterly Data (unaudited)**

Following is a summary of the quarterly results of operations for the period from April 26, 2006 (inception) through December 31, 2007.

|                      | Fiscal Quarter Ended |                       |                  |                   |                      |                       |                  |
|----------------------|----------------------|-----------------------|------------------|-------------------|----------------------|-----------------------|------------------|
|                      | December 31,<br>2007 | September 30,<br>2007 | June 30,<br>2007 | March 31,<br>2007 | December 31,<br>2006 | September 30,<br>2006 | June 30,<br>2006 |
| Net (loss) income    | \$ 1,478,551         | \$ 1,665,126          | \$ 1,552,478     | \$ 1,986,632      | \$ 1,991,384         | \$ 656,631            | \$ (1,000)       |
| Net income per share |                      |                       |                  |                   |                      |                       |                  |
| Basic                | \$ 0.03              | \$ 0.03               | \$ 0.03          | \$ 0.04           | \$ 0.04              | \$ 0.03               | \$ 0.00          |
| Diluted              | \$ 0.02              | \$ 0.03               | \$ 0.03          | \$ 0.03           | \$ 0.03              | \$ 0.03               | \$ 0.00          |

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**Table of Contents****MARATHON ACQUISITION CORP.****(a development stage company)****CONSOLIDATED BALANCE SHEETS**

|   | March 31,<br>2008<br>(unaudited) | December 31, 2007     |
|---|----------------------------------|-----------------------|
| <b>ASSETS</b>   |                                  |                       |
| Current assets:   |                                  |                       |
| Cash  | \$ 2,132,372                     | \$ 2,671,034          |
| Prepaid expenses  | 14,385                           | 39,935                |
| Prepaid income taxes  | 931,547                          | 458,139               |
| Interest receivable attributable to trust   | 450,781                          | 999,199               |
| <b>Total current assets</b>   | <b>3,529,085</b>                 | <b>4,168,307</b>      |
| Investments held in trust account   | 316,142,702                      | 314,130,809           |
| Deferred acquisition costs  | 1,421,951                        |                       |
| <b>Total assets</b>   | <b>\$ 321,093,738</b>            | <b>\$ 318,299,116</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                                  |                       |
| Current liabilities:  |                                  |                       |
| Accrued expenses  | \$ 3,078,767                     | \$ 162,559            |
| Income tax payable  | 726,630                          | 47,886                |
| Deferred underwriting discounts and commissions   | 6,405,736                        | 6,405,736             |
| <b>Total current liabilities</b>  | <b>10,211,133</b>                | <b>6,616,181</b>      |
| Common stock subject to possible conversion (8,003,166 shares at \$7.72 per share)  | 61,795,116                       | 61,795,116            |
| Interest attributable to common stock subject to possible conversion (net of income taxes of \$1,329,987 and \$1,156,989 at March 31, 2008 and December 31, 2007, respectively) | 1,612,462                        | 1,402,720             |
| Stockholders' equity:   |                                  |                       |
| Preferred stock, \$0.0001 par value, 1,000,000 shares authorized; none issued or outstanding  |                                  |                       |
| Common stock, \$0.0001 par value, 249,000,000 shares authorized; 49,410,850 shares issued and outstanding (including 8,003,166 shares subject to possible conversion)           | 4,942                            | 4,942                 |
| Additional paid-in capital  | 240,553,066                      | 240,553,066           |
| Retained earnings accumulated during development stage  | 6,917,019                        | 7,927,091             |
| <b>Total stockholders' equity</b>   | <b>247,475,027</b>               | <b>248,485,099</b>    |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 321,093,738</b>            | <b>\$ 318,299,116</b> |

See accompanying notes to financial statements.

**Table of Contents****MARATHON ACQUISITION CORP.****(a development stage company)****CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)**

|   | <b>Three Months<br/>ended<br/>March 31, 2008</b> | <b>Three Months<br/>ended<br/>March 31, 2007</b> | <b>Period from<br/>April 27, 2006<br/>(inception) through<br/>March 31, 2008</b> |
|---|--|--|--|
| Formation and general and administrative costs  | \$ 1,862,784                                     | \$ 286,275                                       | \$ 3,470,688   |
| Net loss from operations  | (1,862,784)                                      | (286,275)  | (3,470,688)  |
| Other income interest   | 1,953,413  | 3,911,907  | 22,082,681   |
| Income before provision for taxes   | 90,629   | 3,625,632  | 18,611,993   |
| Provision for income taxes  | (890,960)  | (1,639,000)                                      | (10,082,512)   |
| Net (loss) income   | (800,331)  | 1,986,632  | 8,529,481  |
| Less: Interest attributable to common stock subject to possible conversion<br>(net of income taxes of \$172,998, \$182,817 and \$1,329,987) | (209,741)  | (221,646)  | (1,612,462)  |
| Net (loss) income attributable to common stock not subject to possible<br>conversion  | \$ (1,010,072)                                   | \$ 1,764,986                                     | \$ 6,917,019   |
| <b>Maximum number of shares subject to possible conversion:</b>   |  |  |  |
| Weighted average shares outstanding subject to possible conversion  | 8,033,166  | 8,033,166  |  |
| (Loss) income per share amount (basic and diluted)  | \$ (0.03)  | \$ 0.03  |  |
| <b>Weighted average shares outstanding not subject to possible conversion</b>   |  |  |  |
| Basic   | 41,407,684                                       | 41,407,684                                       |  |
| Diluted   | 41,407,684                                       | 50,682,881                                       |  |
| <b>Net (loss) income per share amount</b>   |  |  |  |
| Basic   | \$ (0.02)  | \$ 0.04  |  |
| Diluted   | \$ (0.02)  | \$ 0.03  |  |

See accompanying notes to financial statements.

Table of Contents**MARATHON ACQUISITION CORP.****(a development stage company)****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY****For the period from April 27, 2006 (inception) through March 31, 2008**

|   | Common Stock |          | Additional<br>Paid-In<br>Capital | Earnings<br>Accumulated<br>in the<br>Development<br>Stage | Stockholders<br>Equity |
|---|--------------|----------|----------------------------------|---|------------------------|
|   | Shares       | Amount   |                                  |   |                        |
| Issuance of common stock to initial stockholders  | 9,375,000    | \$ 938   | \$ 24,062                        | \$  | \$ 25,000              |
| Sale of 40,035,850 units, net of underwriters discounts and commissions and offering expenses (including 8,003,166 shares subject to possible conversion) | 40,035,850   | 4,004    | 296,824,120                      |   | 296,828,124            |
| Sale of private placement warrants  |              |          | 5,500,000                        |   | 5,500,000              |
| Net proceeds subject to possible conversion of 8,003,166 shares   |              |          | (61,795,116)                     |   | (61,795,116)           |
| Net Income  |              |          |                                  | 2,647,015   | 2,647,015              |
| Balance at December 31, 2006  | 49,410,850   | \$ 4,942 | \$ 240,553,066                   | \$ 2,647,015  | \$ 243,205,023         |
| Accretion of trust account relating to common stock subject to possible conversion  |              |          |                                  | (1,402,721)   | (1,402,721)            |
| Net income  |              |          |                                  | 6,682,797   | 6,682,797              |
| Balance at December 31, 2007  | 49,410,850   | \$ 4,942 | \$ 240,553,066                   | \$ 7,927,091  | \$ 248,485,099         |
| Accretion of trust account relating to common stock subject to possible conversion  |              |          |                                  | (209,741)   | (209,741)              |
| Net (loss)  |              |          |                                  | (800,331)   | (800,331)              |
| Balance at March 31, 2008 (unaudited)   | 49,410,850   | \$ 4,942 | \$ 240,553,066                   | \$ 6,917,019  | \$ 247,475,027         |

See accompanying notes to financial statements.

**Table of Contents****MARATHON ACQUISITION CORP.****(a development stage company)****CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)**

|  | Three Months<br>ended<br>March 31, 2008 | Three Months<br>ended<br>March 31, 2007 | Period from<br>April 27, 2006<br>(inception) through<br>March 31, 2008 |
|--|---|---|--|
| Cash flows from operating activities                                       |   |   |  |
| Net income (loss)  | \$ (800,331)                            | \$ 1,986,632                            | \$ 8,529,481   |
| Adjustments to reconcile net loss to net cash used in operating activities |   |   |  |
| Deferred income taxes  |   | (131,000)                               |  |
| Changes in:  |   |   |  |
| Prepaid expenses   | 25,550                                  | 71,990                                  | (51,189)   |
| Interest receivable  | 548,418                                 | (16,417)                                | (450,781)  |
| Accrued expenses   | 1,494,258                               | 1,397                                   | 1,656,815  |
| Income tax payable   | 205,336                                 | 1,150,001                               | (168,112)  |
| Net cash provided by operating activities                                  | 1,473,231                               | 3,062,603                               | 9,516,214  |
| Cash flows from investing activities                                       |   |   |  |
| Investments held in trust account  | (2,011,893)                             | (1,180,918)                             | (316,142,702)  |
| Net cash used by investing activities                                      | (2,011,893)                             | (1,180,918)                             | (316,142,702)  |
| Cash flows from financing activities                                       |   |   |  |
| Proceeds from note to stockholder  |   |   | 225,000  |
| Repayment of note to stockholder   |   |   | (225,000)  |
| Proceeds from public offering, net   |   |   | 303,233,860  |
| Proceeds from issuance of warrants   |   |   | 5,500,000  |
| Proceeds from issuance of securities to initial stockholders               |   |   | 25,000   |
| Net cash provided by financing activities                                  |   |   | 308,758,860  |
| Net (decrease) increase in cash  | (538,662)                               | 1,881,685                               | 2,132,372  |
| Cash beginning of period   | 2,671,034                               | 1,370,943                               |  |
| Cash end of period   | \$ 2,132,372                            | \$ 3,252,628                            | \$ 2,132,372   |
| Non-cash financing activities  |   |   |  |
| Deferred underwriting discounts and commissions                            | \$                                      | \$                                      | \$ 6,405,736   |
| Non-cash investing activities  |   |   |  |
| Accrued deferred acquisition costs   | \$ 1,421,951                            |   | \$ 1,421,951   |
| Cash paid for income taxes   | \$ 675,000                              | \$ 620,000                              | \$ 10,140,406  |

See accompanying notes to financial statements.

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**MARATHON ACQUISITION CORP.**

**(a development stage company)**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2008**

**(unaudited)**

**Note 1 Organization and Nature of Business Operations**

Marathon Acquisition Corp. (the Company) was incorporated in Delaware on April 27, 2006 as a blank check company whose objective is to acquire, through a merger, stock exchange, asset acquisition, reorganization or similar business combination, one or more currently unidentified operating business or businesses. The Company is considered to be in the development stage and is subject to the risks associated with activities of development stage companies. All activity through March 31, 2008 relates to the company's formation, initial public offering (the Offering) and efforts to identify prospective target businesses described below and in Note 3. At March 31, 2008, the Company had not commenced any operations.

The registration statement for the Offering was declared effective August 24, 2006. The Company consummated the Offering on August 30, 2006 and received proceeds of approximately \$279,000,000, net of underwriting discounts and commissions of approximately \$21,000,000 (including approximately \$6,000,000 of deferred underwriting discounts and commissions placed in the trust account pending completion of a business combination). In addition, on September 22, 2006 the underwriters for the Offering exercised their over-allotment option (the Over-Allotment Option Exercise), which closed on September 27, 2006, generating proceeds of approximately \$18,867,000, net of underwriting discounts and commissions of approximately \$1,420,000 (including approximately \$400,000 of deferred underwriting discounts and commissions placed in the trust account pending completion of a business combination). The Company incurred additional offering expenses of approximately \$1,039,000, which have been charged to additional paid-in capital. The Company's management has broad discretion with respect to the specific application of the net proceeds of the Offering and the Over-Allotment Option Exercise, although substantially all of the net proceeds of the Offering and the Over-Allotment Option Exercise are intended to be generally applied toward consummating a business combination with an operating company or companies. As used herein, a Target Business shall mean one or more businesses that at the time of the Company's initial business combination has a fair market value of at least 80% of the balance in the trust account (excluding deferred underwriting discounts and commissions of approximately \$6.4 million) described below and a Business Combination shall mean the acquisition by the Company of such Target Business. Furthermore, there is no assurance that the Company will be able to successfully effect a Business Combination.

The Company's efforts in identifying prospective target businesses will not be limited to a particular industry. Instead, the Company intends to focus on various industries and target businesses that may provide significant opportunities for growth.

Upon the closing of the Offering and the Over-Allotment Option Exercise by the underwriters, approximately \$308.8 million was placed in a trust account invested until the earlier of (i) the consummation of the Company's initial Business Combination or (ii) the liquidation of the Company. The amount placed in the trust account consisted of the proceeds of this offering and the concurrent private placement of warrants discussed in Note 4 as well as approximately \$6.4 million of deferred underwriting discounts and commissions that will be released to the underwriters on completion of a Business Combination. The remaining proceeds outside of the trust account as well as the interest income of up to \$3.9 million earned on the trust account balance that may be released to the Company (as described below) may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses; provided, however, that after such release there remains in the trust account a sufficient amount of interest income previously earned on the trust account balance to pay any income taxes on such \$3.9 million of interest income.

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The Company will seek stockholder approval before it will effect any Business Combination, even if the Business Combination would not ordinarily require stockholder approval under applicable state law. In connection with the stockholder vote required to approve any Business Combination, the Company's Initial Stockholders have agreed to vote the shares of common stock owned by them immediately before the Offering in accordance with the majority of the shares of common stock voted by the Public Stockholders. Public Stockholders is defined as the holders of common stock sold as part of the Units in the Offering or in the aftermarket. The Company will proceed with a Business Combination only if a majority of the shares of common stock voted by the Public Stockholders are voted in favor of the Business Combination and Public Stockholders owning less than 20% of the shares sold in the Offering exercise their conversion rights. The Initial Stockholders and Marathon Investors, LLC, an entity controlled by the Company's chairman and chief executive officer, have agreed that if they acquire shares of common stock in or following the Offering, they will vote all such acquired shares in favor of any Business Combination submitted for stockholder approval. If a majority of the shares of common stock voted by the Public Stockholders are not voted in favor of a proposed initial Business Combination but 24 months has not yet passed since closing of the Offering, the Company may combine with another Target Business meeting the fair market value criterion described above.

If a Business Combination is approved and completed, Public Stockholders voting against a Business Combination will be entitled to convert their stock into a pro rata share of the total amount on deposit in the trust account, before payment of deferred underwriting discounts and commissions and including any interest earned on their pro rata portion of the trust account, net of income taxes payable thereon, and net of any interest income of up to \$3.9 million on the balance of the trust account previously released to the Company to fund its working capital requirements (subject to the tax holdback). Public Stockholders who exercise their conversion rights will continue to have the right to exercise any Warrants they may hold. It is important to note that voting against a Business Combination alone will not result in conversion of a stockholder's shares into a *pro rata* share of the trust account, which only occurs when the stockholder exercises the conversion rights described above.

During the quarter ended March 31, 2007, the Company earned enough interest on a cumulative basis to begin accreting interest income to the common stock subject to possible conversion. Accordingly, the Company accreted approximately \$209,741 of interest, net of taxes, to the common stock subject to possible conversion for the three months ended March 31, 2008 and approximately \$1,612,462 of interest, net of taxes, for the period from April 26, 2006 (inception) through March 31, 2008.

In the event that the Company does not effect a Business Combination within 24 months after consummation of the Offering, the Company will dissolve and promptly distribute only to its Public Stockholders the amount in the trust account, including accrued interest, less any income taxes payable on interest income and any interest income of up to \$3.9 million on the balance of the trust account previously released to the Company to fund its working capital requirements, including the costs of the Company's dissolution and liquidation (subject to the tax holdback), plus any remaining net assets. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including trust account assets) will be less than the price per share in the Offering (assuming no value is attributed to the Warrants contained in the Units in the Offering discussed in Note 3).

**Going concern consideration** As indicated in the accompanying financial statements, at March 31, 2008 the Company had unrestricted cash of \$2,132,372 and \$3,078,767 in accrued expenses. The Company has incurred and expects to incur significant costs in pursuit of its acquisition plans. In addition, there is no assurance that the Company will successfully complete a Business Combination by August 30, 2008. These factors, among others, raise substantial doubt about the Company's ability to continue operations as a going concern. The accompanying financial statements do not include any adjustments that may result from the outcome of this uncertainty.

**Table of Contents****Note 2 The Proposed Merger**

On March 21, 2008, the Company entered into an agreement and plan of merger (the Merger Agreement) with GSL Holdings, Inc. (GSL Holdings), CMA CGM S.A. (CMA CGM) and Global Ship Lease, Inc. (Global Ship Lease) pursuant to which the Company will merge with and into GSL Holdings, its newly-formed, wholly owned Marshall Islands subsidiary, and then Global Ship Lease will merge with and into GSL Holdings, with GSL Holdings continuing as the surviving company incorporated in the Republic of the Marshall Islands and to be renamed Global Ship Lease, Inc. (such mergers collectively, the Merger). As a result of the Merger, each holder of a share of common stock of the Company issued and outstanding immediately prior to the effective time of the Merger will receive Class A common shares of GSL Holdings, except that Marathon Founders, LLC and other initial stockholders will receive an aggregate of 5,000,000 Class B common shares of GSL Holdings in lieu of an equal number of Class A common shares; and CMA CGM will receive \$66,570,135 in cash, 7,844,600 Class A common shares of GSL Holdings, 5,000,000 Class B common shares of GSL Holdings, and 12,375,000 Class C common shares of GSL Holdings. The rights of holders of Class B common shares will be identical to those of holders of Class A common shares subject to meeting certain tests, except that the holders of Class B common shares will not be entitled to receive any dividends with respect to any quarter prior to the first quarter of 2009 and their dividend rights will be subordinated to those of holders of Class A common shares until at least the third quarter of 2011. The rights of holders of Class C common shares will be identical to those of holders of Class A common shares, except that holders of Class C common shares will not be entitled to receive any dividends and the Class C common shares will convert into Class A common shares on a one-for-one basis on January 1, 2009.

The merger agreement contains customary representations, warranties and covenants by each of the parties. The representations and warranties do not survive the closing. The obligations of the Company and GSL Holdings, on the one hand, and CMA CGM and Global Ship Lease, on the other hand, to consummate the Merger are subject to certain closing conditions.

The Merger is expected to be completed during the third quarter of 2008, pending stockholder and warrant holder approval and there can be no assurance that the business combination will be consummated. On April 18, 2008, the Company filed with the Securities and Exchange Commission a preliminary proxy statement relating to the Merger Agreement and the Merger contemplated thereby and on June 3, 2008, an amended preliminary proxy statement was filed.

**Note 3 Summary of Significant Accounting Policies****(a) Cash and cash equivalents:**

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The trust assets are invested in one or more money market funds.

**(b) Earnings per common share:**

- (i) Basic earnings per common share for all periods is computed by dividing the earnings applicable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted income per share reflects the potential dilution assuming common shares were issued upon the exercise of outstanding in the money warrants and the proceeds thereof were used to purchase common shares at the average market price during the period.
- (ii) The Company's statements of operations include a presentation of earnings per share for common stock subject to possible conversion in a manner similar to the two-class method of earnings per share. Basic and diluted net income per share amount for the maximum number of shares subject to possible conversion is calculated by dividing the net interest income attributable to common shares subject to conversion (\$209,741 and \$221,646 for the three months ended March 31, 2008 and 2007, respectively) by the weighted average number of shares subject to possible conversion. Basic and

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diluted net income per share amount for the shares outstanding not subject to possible conversion is calculated by dividing the net income exclusive of the net interest income attributable to common shares subject to conversion by the weighted average number of shares not subject to possible conversion.

At March 31, 2008 and 2007, the Company had outstanding warrants to purchase 45,535,850 shares of common stock.

The weighted average number of shares used in the basic and diluted net (loss) income per share for shares outstanding not subject to possible conversion are as follows:

|  | <b>For the three<br/>months ended<br/>March 31, 2008</b> | <b>For the three<br/>months ended<br/>March 31, 2007</b> |
|--|--|--|
| Weighted average number of shares outstanding as used in computation of basic income per share | 41,407,684   | 41,407,684   |
| Effect of diluted securities warrants  |  | 9,275,197  |
| Shares used in computation of diluted (loss) income per share                                  | 41,407,684   | 50,682,881   |

For the three months ended March 31, 2008, 40,535,850 shares attributable to the exercise of outstanding warrants were excluded from the calculation of diluted net (loss) per share for shares not subject to possible conversion because the effect was antidilutive.

**(c) Interest attributable to common stock subject to possible conversion:**

Upon consummation of a Business Combination, the Public Stockholders voting against the Business Combination will be entitled to convert their stock into a pro rata share of the total amount on deposit in the trust account, before payment of deferred underwriting discounts and commissions and including any interest earned on their pro rata portion of the trust account, net of income taxes payable thereon, and net of interest income of \$3.9 million on the balance of the trust account previously released to the Company to fund its working capital requirements. Assuming maximum conversion of 19.99%, the interest attributable to common stock subject to conversion as of March 31, 2008 would be \$1.6 million.

**(d) Use of estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(e) Fair Value Measurements:**

The fair values of the Company's financial instruments reflect the estimates of amounts that would be received from selling an asset in an orderly transaction between market participants at the measurement date. The fair value estimates presented in this report are based on information available to the Company as of March 31, 2008 and December 31, 2007.

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In accordance with Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ( SFAS 157 ), the Company applies a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The three levels are the following:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value of cash and investments held in the trust account were estimated using Level 1 inputs and approximates the fair value because of their nature and respective duration.

**(e) Income taxes:**

Deferred income taxes are provided for the differences between the bases of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company will record any penalties and interest associated with any tax adjustments due to audits as an operating expense.

**(f) Recent accounting developments:**

*Business Combinations* In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ( SFAS 141(R) ). SFAS 141(R) expands the definition of transactions and events that qualify as business combinations; requires that the acquired assets and liabilities, including contingencies, be recorded at the fair value determined on the acquisition date and changes thereafter reflected in revenue, not goodwill; changes the recognition timing for restructuring costs; and requires acquisition costs to be expensed as incurred. Adoption of SFAS 141(R) is required for combinations after December 15, 2008. Early adoption and retroactive application of SFAS 141(R) to fiscal years preceding the effective date are not permitted. The Company is currently evaluating the impact of SFAS 141(R) on the financial statements.

*Noncontrolling Interest in Consolidated Financial Statements* In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements* ( SFAS 160 ). SFAS 160 re-characterizes minority interests in consolidated subsidiaries as non-controlling interests and requires the classification of minority interests as a component of equity.

Under SFAS 160, a change in control will be measured at fair value, with any gain or loss recognized in earnings. The effective date for SFAS 160 is for annual periods beginning on or after December 15, 2008. Early adoption and retroactive application of SFAS 160 to fiscal years preceding the effective date are not permitted. The Company is currently evaluating the impact of SFAS 160 on the financial statements. In March 2008, the FASB issued SFAS No. 161 ( SFAS 161 ), *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities* ( SFAS No. 133 ). SFAS No. 161 requires companies to provide enhanced disclosures regarding derivative instruments and hedging activities in order to better convey the purpose of derivative use in terms of risk management. Disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (iii) how derivative instruments and hedged items affect a company's financial position, financial performance,

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and cash flows, are required. This Statement retains the same scope as SFAS No. 133 and is effective for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact, if any, that the adoption of SFAS No. 161 will have on its consolidated financial position and results of operations.

In December 2007, the FASB ratified EITF Issue No. 07-1, *Accounting for Collaborative Arrangements Related to the Development and Commercialization of Intellectual Property* ( EITF 07-1 ). The EITF concluded that a collaborative arrangement is one in which the participants are actively involved and are exposed to significant risks and rewards that depend on the ultimate commercial success of the endeavor. Revenues and costs incurred with third parties in connection with collaborative arrangements would be presented gross or net based on the criteria in EITF Issue No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, and other accounting literature. Payments to or from collaborators would be evaluated and presented based on the nature of the arrangement and its terms, the nature of the entity's business, and whether those payments are within the scope of other accounting literature. The nature and purpose of collaborative arrangements are to be disclosed along with the accounting policies and the classification and amounts of significant financial statement amounts related to the arrangements. Activities in the arrangement conducted in a separate legal entity should be accounted for under other accounting literature; however, required disclosure under EITF 07-1 applies to the entire collaborative agreement. This Issue is effective for fiscal years beginning after December 15, 2008, and is to be applied retrospectively to all periods presented for all collaborative arrangements existing as of the effective date. The Company is currently evaluating the impact that this pronouncement may have on its consolidated financial position and results of operations.

### **Note 4 Deferred Acquisition Costs**

As of March 31, 2008, the Company has accumulated approximately \$1,421,000 in deferred costs related to the proposed merger with the Global Ship Lease (Note 2). These costs will be capitalized contingent upon the completion of the Business Combination following the required approval by the Company's stockholders and the fulfillment of certain other conditions. If the acquisition is not completed or if the proposed merger is considered either a re-capitalization or reverse merger for accounting purposes, these costs will be recorded as an expense. Deferred acquisition costs consist primarily of approximately \$1,341,000 for legal services, \$58,000 for due diligence services and \$22,000 for other related deal expenses.

### **Note 5 Initial Public Offering**

On August 30, 2006, the Company sold to the public 37,500,000 units ( Units ) at a price of \$8.00 per unit. Each Unit consists of one share of the Company's common stock, \$0.0001 par value, and one Redeemable Common Stock Purchase Warrant ( Warrant ). Each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of \$6.00 commencing the later of the completion of a Business Combination with a Target Business or November 24, 2007 and expiring August 24, 2010, unless earlier redeemed. The Warrants will be redeemable at a price of \$0.01 per Warrant upon 30 days notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least \$11.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the date on which notice of redemption is given.

In accordance with the Warrant Agreement related to the Warrants (the Warrant Agreement ), the Company is only required to use its best efforts to effect the registration of the shares of common stock underlying the Warrants. The Company will not be obligated to deliver securities, and there are no contractual penalties for failure to deliver securities, if a registration statement is not effective at the time of exercise. Additionally, in the event that a registration statement is not effective at the time of exercise, the holder of such Warrant shall not be entitled to exercise such Warrant and in no event (whether in the case of a registration statement not being effective or otherwise) will the Company be required to net cash settle the warrant exercise. Consequently, the Warrants may expire unexercised and unredeemed.

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On September 27, 2006 the Company sold an additional 2,535,850 Units pursuant to the Over-Allotment Option Exercise.

As of March 31, 2008, after giving effect to the Company's withdrawals of funds for tax purposes and for working capital requirements subsequent to completion of its initial public offering, approximately \$316,143,000 was held in trust. As of March 31, 2008, however, we had only approximately \$2.1 million of unrestricted cash available for completing our merger with GSL Holdings, Inc. for payment of approximately \$3.1 million of accrued expenses and for general corporate purposes. As a result, we cannot assure you that the cash we have available will be sufficient to cover our expenses.

### **Note 6 Note Payable to Affiliate and Related Party Transactions**

The Company issued an aggregate of \$225,000 in an unsecured promissory note to the Company's chairman, chief executive officer and secretary on May 10, 2006. The note was non-interest bearing and was payable on the earlier of December 31, 2006 or the consummation of the Offering by the Company. The note was fully repaid on August 30, 2006 and no further amounts are due.

The Company has agreed to pay up to \$7,500 a month in total for office space and general and administrative services to an affiliate of the Company's chairman, chief executive officer and secretary. Services will commence on the completion of the Offering and will terminate upon the earlier of (i) the consummation of a Business Combination, or (ii) the liquidation of the Company. Through March 31, 2008, the Company had incurred approximately \$22,500 for both the three months ended March 31, 2008 and the three months ended March 31, 2007, and \$142,500 for the period from April 27, 2006 through March 31, 2008, respectively, in accordance with this agreement.

On August 30, 2006, Marathon Investors, LLC, an entity owned and controlled by the Company's chairman, chief executive officer and secretary, purchased an aggregate of 5,500,000 sponsor warrants at a price of \$1.00 per warrant from the Company. Marathon Investors, LLC has agreed that it will not sell or transfer these warrants until completion of a Business Combination, except in certain limited circumstances.

The Initial Stockholders and Marathon Investors, LLC will be entitled to make up to two demands that the Company register the 9,375,000 shares and the 5,500,000 shares of common stock underlying the sponsor warrants, pursuant to an agreement signed in connection with the Offering. The Initial Stockholders and Marathon Investors, LLC may elect to exercise these registration rights at any time (i) after the expiration of the transfer restrictions relating to the shares of common stock and (ii) after the sponsor warrants have become exercisable by their times, in the case of such warrants and the underlying common stock. In addition, the Initial Stockholders and Marathon Investors, LLC have certain "piggy back" registration rights on registration statements filed subsequent to the date on which these shares of common stock are no longer subject to such transfer restrictions or the sponsor warrants become exercisable. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

### **Note 7 Units**

On May 11, 2006, the Initial Stockholders purchased 9,375,000 of the Company's securities for an aggregate purchase at a price of \$25,000. Each security consisted of one share of the Company's common stock and one warrant to purchase one share of the Company's common stock. On July 31, 2006, the Initial Stockholders irrevocably agreed to relinquish all of their right, title and interest in and to the warrants contained in such securities. As a result, the Company has cancelled these warrants.

### **Note 8 Preferred Stock**

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

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The Company's provision for income taxes consisted of the following:

|                                   | <b>Three Months<br/>Ended<br/>March 31, 2008</b> | <b>Three Months<br/>Ended<br/>March 31, 2007</b> | <b>Period from<br/>April 27, 2006<br/>(inception)<br/>through<br/>March 31, 2008</b> |
|-----------------------------------|--|--|--|
| <b>Current</b>                    |  |  |  |
| Federal                           | \$ 678,744                                       | \$ 1,171,000                                     | \$ 6,952,660   |
| State                             | 212,216  | 599,000  | 3,323,292  |
| <b>Total current</b>              | <b>890,960</b>                                   | <b>1,770,000</b>                                 | <b>10,275,952</b>  |
| Deferred                          |  | (131,000)  | (193,440)  |
| <b>Provision for income taxes</b> | <b>\$ 890,960</b>                                | <b>\$ 1,639,000</b>                              | <b>\$ 10,082,512</b>   |

The difference between the actual income tax expense and that computed by applying the U.S. federal income tax rate of 35% to pretax income from operations is summarized below:

|   | <b>Three Months<br/>Ended<br/>March 31, 2008</b> | <b>Three Months<br/>Ended<br/>March 31, 2007</b> |
|---|--|--|
| Computed expected tax expense                       | 35.0%  | 35.0%  |
| State and local income taxes net of federal benefit | 10.2%  | 10.2%  |
| Change in valuation allowance                       | 934.1%   |  |
| <b>Effective tax rate</b>                           | <b>979.3%</b>                                    | <b>45.2%</b>                                     |

The Company is considered in the development stage for income tax reporting purposes. Federal income tax regulations require that the Company defer certain expenses for tax purposes. Therefore, the Company has recorded for the three months ended March 31, 2008 a deferred income tax asset of \$906,000. The Company believes that it is more likely than not that it will not be able to realize this deferred tax asset in the future and, therefore, it has provided a valuation allowance against this deferred tax asset as of March 31, 2008. As a result, the Company's statement of operations for the three months ended March 31, 2008 reflects a provision for income taxes of \$890,960 against income before provision for income taxes of \$90,629. The Company's 2006 Federal and State tax returns have not been audited, and remain subject to tax audit.

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**Appendix A**

**AGREEMENT AND PLAN OF MERGER**

**BY AND AMONG**

**MARATHON ACQUISITION CORP.,**

**GSL HOLDINGS, INC.,**

**GLOBAL SHIP LEASE, INC.**

**AND**

**CMA CGM S.A.**

**DATED AS OF MARCH 21, 2008**

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**EXHIBITS**

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| Exhibit A-2: | Second Amended and Restated Asset Purchase Agreement |
| Exhibit A-3: | Amended and Restated Charter Agreement               |
| Exhibit A-4: | Amended and Restated Ship Management Agreement       |
| Exhibit A-5: | Transitional Services Agreement                      |
| Exhibit A-6: | Amended and Restated Global Expense Agreement        |
| Exhibit A-7: | Amended and Restated Guarantees                      |
| Exhibit B:   | Stockholders Agreement                               |
| Exhibit C:   | Amended and Restated Articles of Incorporation       |
| Exhibit D:   | CMA Representation Letter                            |

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**AGREEMENT AND PLAN OF MERGER**

This Agreement and Plan of Merger is made and entered into as of March 21, 2008, by and among:

**Marathon Acquisition Corp.**, a Delaware corporation ( *MAQ* );

**GSL Holdings, Inc.**, a corporation organized under the laws of the Republic of the Marshall Islands (the *Merger Subsidiary* );

**Global Ship Lease, Inc.**, a corporation organized under the laws of the Republic of the Marshall Islands (the *Company* ); and

**CMA CGM S.A.**, a *société anonyme* organized under the laws of France ( *CMA* ).

The term *Agreement* as used herein refers to this Agreement and Plan of Merger, as the same may be amended from time to time, and all Schedules and Exhibits hereto.

RECITALS

WHEREAS, the Company filed a registration statement with the SEC on Form F-1 for the registration of registered common shares under the Securities Act of 1933, as amended, to be offered in an initial public offering;

WHEREAS, in lieu of such initial public offering of the common shares of the Company, the Board of Directors of the Company and the Board of Directors of MAQ each deem it advisable and in the best interests of their respective companies and shareholders that MAQ, the Merger Subsidiary and the Company engage in a business combination in order to advance the long-term strategic business interests of MAQ and the Company;

WHEREAS, to effect such business combination, upon the terms and subject to the conditions set forth herein, MAQ will merge with and into the Merger Subsidiary with the Merger Subsidiary continuing as the surviving company and the Company will then merge with and into the Merger Subsidiary with the Merger Subsidiary continuing as the surviving company in the merger;

WHEREAS, MAQ, as the sole shareholder of the Merger Subsidiary, has approved the Migratory Merger (as defined below) and adopted this Agreement;

WHEREAS, CMA, as the sole shareholder of the Company, has approved the GSL Merger (as defined below) and adopted this Agreement;

WHEREAS, the parties contemplate that the cash portion of the merger consideration will be obtained from the amount disbursed to the Surviving Company from the Trust Fund (which amount is more completely described in *Section 6.10*);

WHEREAS, concurrent with the Closing, the Surviving Company and CMA (or the applicable affiliate of CMA) will enter into (i) a Registration Rights Agreement, dated as of the Closing, in the form annexed hereto as *Exhibit A-1*, (ii) the Second Amended and Restated Asset Purchase Agreement in the form annexed hereto as *Exhibit A-2* (the *Asset Purchase Agreement* ), (iii) the Amended and Restated Charter Agreements in the form annexed hereto as *Exhibit A-3* (the *Amended Charter Agreements* ), (iv) the Amended and Restated Ship Management Agreement in the form annexed hereto as *Exhibit A-4*, (v) the Transitional Services Agreement in the form annexed hereto as *Exhibit A-5*, (vi) the Amended and Restated Global Expense Agreement in substantially the form annexed hereto as *Exhibit A-6* and (vii) the amended and restated guarantees executed and delivered by each of the Company and CMA in respect of certain obligations under the Amended Charter Agreements in substantially the form annexed hereto as *Exhibit A-7* (collectively, the *CMA/GSL Transaction Agreements* );

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WHEREAS, concurrent with the Closing, the Surviving Company, Marathon Founders LLC, a Delaware limited liability company, and CMA will be entering into a Stockholders Agreement (the *Stockholders Agreement* and, together with the CMA/GSL Transaction Agreements, the *Transaction Agreements* ), dated as of the Closing, in the form annexed hereto as *Exhibit B*;

WHEREAS, the Company has entered into a credit agreement dated December 10, 2007, as amended by Addendum No. 1, dated December 10, 2007, with the lenders listed therein (collectively, the *Credit Facility* ), and has obtained agreements from such lenders to consent to certain changes thereto in order to permit and further the transactions contemplated hereby; and

WHEREAS, at the Effective Time, the Articles of Incorporation of the Merger Subsidiary as the surviving company of the GSL Merger shall be amended and restated in the form attached hereto as *Exhibit C* (the *Restated Articles* ).

NOW, THEREFORE, in consideration of the covenants, promises and representations set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows (defined terms used in this Agreement are listed alphabetically in *ARTICLE X*, together with the Section and, if applicable, paragraph number in which the definition of each such term is located):

### **ARTICLE I**

#### **THE MERGER**

1.1 *The Mergers*. At the Effective Time and subject to and upon the terms and conditions of this Agreement and the Delaware General Corporation Law (the *Delaware Law* ) and the Business Corporations Act of the Associations Law of the Republic of the Marshall Islands (the *BCA* ), MAQ shall merge with and into the Merger Subsidiary with the Merger Subsidiary continuing as the surviving company (the *Migratory Merger* ). Immediately after the Migratory Merger, the Company shall merge with and into the Merger Subsidiary with the Merger Subsidiary continuing as the surviving company (the *GSL Merger* and, together with the Migratory Merger, the *Mergers*). The Merger Subsidiary, as the surviving company after the GSL Merger is hereinafter referred to as the *Surviving Company*. After the Effective Time, the name of the Surviving Company shall be Global Ship Lease, Inc.

1.2 *Effective Time of the Merger; Closing*. As soon as practicable on the Closing Date (as defined below), (a) MAQ and the Merger Subsidiary (i) shall file with the Secretary of State of the State of Delaware (the *Delaware Secretary* ) a certificate of merger with respect to the Migratory Merger (the *Certificate of Merger* ), which Certificate of Merger shall be in such form as is required by, and executed and acknowledged in accordance with, the Delaware Law and (ii) shall file with a Registrar or Deputy Registrar of Corporations of the Republic of the Marshall Islands (the *Marshall Islands Registrar* ) duplicate originals of the articles of merger with respect to the Migratory Merger (the *Migratory Articles of Merger* ), which Migratory Articles of Merger shall be in such form as is required by, and executed and acknowledged in accordance with, the BCA and (b) then the Company and the Merger Subsidiary shall file with the Marshall Islands Registrar duplicate originals of the articles of merger with respect to the GSL Merger (the *GSL Articles of Merger* ), which GSL Articles of Merger shall be in such form as is required by, and executed and acknowledged in accordance with, the BCA. The GSL Merger shall become effective at such date and time as MAQ, CMA and the Company shall agree and shall be specified in the GSL Articles of Merger. As used in this Agreement, the term *Effective Time* shall mean the date and time when the GSL Merger becomes effective. Unless this Agreement has been terminated pursuant to *Section 9.1*, the closing of the Mergers (the *Closing* ) shall take place at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, NY 10017, at a time and date to be specified by the parties, which shall be no later than the second business day after the satisfaction or waiver of the conditions set forth in *ARTICLE VII*, or at such other time, date and location as the parties hereto agree in writing (the *Closing Date* ). Closing signatures may be transmitted by facsimile or electronic mail.

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1.3 *Effect of the Mergers.* The Mergers shall have the effects set forth in the applicable provisions of the Delaware Law and the BCA.

1.4 *Charter Documents; Directors and Officers.*

(a) At the Effective Time, the Articles of Incorporation of the Merger Subsidiary shall be amended and restated in substantially the form attached hereto as *Exhibit C* and such Articles of Incorporation as so amended and restated shall be the Articles of Incorporation of the Surviving Company from and after the Effective Time, until thereafter amended in accordance with the terms thereof and applicable laws.

(b) MAQ, the Merger Subsidiary and the Company shall use their commercially reasonable best efforts to cause the Board of Directors of the Surviving Company (the *Surviving Board*) as of immediately following the Effective Time, and subject to compliance with any provisions contained in the Fundamental Documents of the Company and MAQ and any Legal Requirements, to consist initially of an odd number of members, each of whom shall serve upon the Effective Date of the GSL Merger until their successors have been duly elected. Prior to the Closing Date, MAQ will identify in writing the members of the Surviving Board. The officers of the Surviving Company as of immediately following the Effective Time shall be the officers of the Company who held such positions immediately prior to the Effective Time.

1.5 *Effect on Shares.*

(a) Subject to the terms and conditions of this Agreement, at the effective time of the Migratory Merger, by virtue of the Migratory Merger and this Agreement and without any action on the part of any party hereto, the following shall occur:

(i) *Conversion of MAQ Shares.* At the effective time of the Migratory Merger, other than any shares to be canceled pursuant to this *Section 1.5(a)*, each share of common stock of MAQ issued and outstanding immediately prior to the effective time of the Migratory Merger shall be converted into the right to receive one share of common stock of the Merger Subsidiary.

(ii) *Cancellation of Treasury Stock.* At the effective time of the Migratory Merger, each share of common stock or other equity interest of MAQ held by the Company, MAQ, the Merger Subsidiary or any of their respective Subsidiaries immediately prior to the effective time of the Migratory Merger shall be canceled and extinguished without any conversion or payment in respect thereof.

(b) Subject to the terms and conditions of this Agreement, at the Effective Time, by virtue of the GSL Merger and this Agreement and without any action on the part of any party hereto, the following shall occur:

(i) *Conversion of Company Shares.* At the Effective Time, other than any shares to be canceled pursuant to this *Section 1.5(b)*, all of the outstanding common shares of the Company shall be converted into the right for CMA to receive an aggregate of 7,844,600 shares of Class A Common Stock of the Surviving Company, 5,000,000 shares of Class B Common Stock of the Surviving Company and 12,375,000 shares of Class C Common Stock of the Surviving Company and US\$66,570,135 in cash (the *Initial Cash Amount*), payable in accordance with *Section 1.6*.

(ii) *Conversion of MAQ Shares.* At the Effective Time, each share of common stock of the Merger Subsidiary issued and outstanding immediately prior to the Effective Time shall be converted into the right to receive one share of Class A Common Stock of the Surviving Company; *provided that*, of the shares to be received by Marathon Founders, LLC, and each of the outside directors of MAQ, a portion equaling 5,000,000 shares shall be Class B Common Stock, to be determined on a pro rata basis based on the shareholdings of MAQ Common Stock held by each of Marathon Founders, LLC and the outside directors of MAQ, as of the date of this Agreement.

(iii) *Cancellation of Treasury Stock.* At the Effective Time, each share of common stock or other equity interest of the Company or the Merger Subsidiary held by the Company, MAQ, the Merger Subsidiary or any of their respective Subsidiaries immediately prior to the Effective Time shall be canceled and extinguished without any conversion or payment in respect thereof.

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1.6 *Payment of Initial Cash Amount.* At the Effective Time, the Surviving Company shall direct The Bank of New York, as the Account Agent under the Trust Account Agreement, to cause the Initial Cash Amount to be disbursed from the Trust Fund by wire transfer on the Closing Date in immediately available federal funds directly to the account or accounts specified by CMA in writing to MAQ prior to the Closing Date, without any form of set-off, counterclaim, condition or fee, and clear of any tax deduction.

1.7 *Taking of Necessary Action; Further Action.* If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Company with full right, title and possession to all assets, property rights, privileges, powers and franchises of the Company and MAQ, the officers and directors of the Surviving Company, in the name and on behalf of MAQ and the Company, will take all such lawful and necessary action.

**ARTICLE II**

**REPRESENTATIONS AND WARRANTIES REGARDING THE COMPANY**

CMA and the Company jointly and severally represent and warrant to MAQ and the Merger Subsidiary as set forth below in this *Article II*:

*2.1 Organization and Qualification.*

(a) The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the Republic of the Marshall Islands and has the power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being or currently planned by the Company to be conducted. The Company is in possession of all franchises, grants, authorizations, licenses, permits, easements, consents, certificates, approvals and orders (the *Approvals* ) necessary to own, lease and operate the properties it purports to own, operate or lease and to carry on its business as it is now being conducted, except where the failure to have such Approvals would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company. Complete and correct copies of the Fundamental Documents of the Company, as amended and currently in effect, have been heretofore delivered to MAQ or MAQ's counsel.

(b) The Company is duly qualified or licensed to do business as a foreign corporation and is in good standing in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its activities makes such qualification or licensing necessary, except for such failures to be so duly qualified or licensed and in good standing that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company. Each jurisdiction in which the Company is so qualified or licensed is listed in *Schedule 2.1(b)*.

*2.2 Subsidiaries.*

(a) The Company does not have any direct or indirect Subsidiaries other than those listed in *Schedule 2.2(a)*. Except for the Subsidiaries so listed, the Company does not own, directly or indirectly, any ownership, equity, profits or voting interest in any Person or have any agreement or commitment to purchase any such interest, and has not agreed and is not obligated to make, nor is bound by any Contract under which it may become obligated to make, any future investment in or capital contribution to any other Person.

(b) Each Subsidiary of the Company that is a corporation, limited partnership or limited liability company is duly incorporated or organized, as the case may be, validly existing and in good standing under the laws of its state of incorporation or organization (as listed in *Schedule 2.2(a)*) and has the requisite corporate, partnership or limited liability company power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted. Each Subsidiary of the Company is in possession of all Approvals necessary to own, lease and operate the properties it purports to own, operate or lease and to carry on its business

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as it is now being conducted, except where the failure to have such Approvals would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company. Complete and correct copies of the Fundamental Documents of each Subsidiary of the Company, as amended and currently in effect, have been heretofore delivered to MAQ or MAQ's counsel.

(c) Each Subsidiary of the Company is duly qualified or licensed to do business as a foreign corporation, limited partnership or limited liability company and is in good standing in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its activities makes such qualification or licensing necessary, except for such failures to be so duly qualified or licensed and in good standing that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company. Each jurisdiction in which each Subsidiary is so qualified or licensed is listed in *Schedule 2.2(c)*.

### *2.3 Capitalization.*

(a) The authorized Equity Interests of the Company consists solely of (i) 100,000,000 registered common shares, par value US\$0.01 per share, of which 100 shares are issued and outstanding and owned beneficially and of record by CMA, and (ii) 5,000,000 registered preferred shares, par value US\$0.01 per share, of which none are issued or outstanding.

(b) The authorized and outstanding Equity Interests of each Subsidiary of the Company is as set forth in *Schedule 2.3(b)*. Except as set forth on *Schedule 2.3(b)*, the Company owns all of the outstanding Equity Interests of each Subsidiary, free and clear of all Liens, either directly or indirectly through one or more other Subsidiaries.

(c) All outstanding Equity Interests of the Company and its Subsidiaries (i) are validly issued, fully paid and non-assessable and (ii) have been issued in compliance with all Legal Requirements and all Company Contracts.

(d) Except as set forth in *Schedule 2.3(d)*, there are no Commitments or agreements of any character to which the Company or any of its Subsidiaries is a party or by which it is bound obligating the Company or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, or repurchase, redeem or otherwise acquire, or cause the repurchase, redemption or acquisition of, any Equity Interests of the Company or any of its Subsidiaries or obligating the Company or any of its Subsidiaries to grant, extend, accelerate the vesting of or enter into any such Commitment.

(e) Except as contemplated by this Agreement or as set forth in *Schedule 2.3(e)*, there are no registration rights, and there is no voting trust, proxy, rights plan, antitakeover plan or other agreement or understanding to which the Company or any of its Subsidiaries is a party or by which the Company is bound, with respect to any Equity Interest of the Company or any of its Subsidiaries.

(f) No Subsidiary of the Company is currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such Subsidiary's capital stock, from repaying to the Company any loans or advances to such Subsidiary from the Company or from transferring any of such Subsidiary's property or assets to the Company or any other Subsidiary of the Company, except as described in the Registration Statement (excluding the exhibits thereto); all dividends and other distributions declared and payable on the shares of Common Stock of the Company and on the capital stock of each Subsidiary may be declared and paid without the necessity of obtaining any consents, approvals, authorizations, orders licenses, registrations, clearances and qualifications of or with any Governmental Entity or any stock exchange authorities in their respective jurisdictions of incorporation.

### *2.4 Authority Relative to this Agreement.*

(a) The Company has all necessary power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby (including the Merger).

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(b) The execution and delivery of this Agreement and the consummation by the Company of the transactions contemplated hereby (including the Merger) have been duly and validly authorized by all necessary action on the part of the Company.

(c) This Agreement has been duly and validly executed and delivered by the Company, and assuming the due authorization, execution and delivery thereof by the other parties hereto, constitutes the legal and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

*2.5 No Conflict; Required Filings and Consents.*

(a) The execution and delivery of this Agreement by the Company do not, and the performance of this Agreement by the Company shall not, (i) conflict with or violate the Fundamental Documents of the Company or the Company's Subsidiaries, (ii) conflict with or violate any Legal Requirements applicable to the Company or the Company's Subsidiaries, (iii) result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or impair the Company's or any of its Subsidiaries' rights or alter the rights or obligations of any third party under, or give to others any rights of termination, amendment, acceleration, redemption or cancellation of, or result in the creation of a Lien on any of the properties or assets of the Company or any of its Subsidiaries pursuant to, any Contracts, or (iv) result in the triggering, acceleration or increase of any payment to any Person pursuant to any Contract, including any change in control or similar provision of any Contract, except, with respect to clauses (ii), (iii) or (iv), for any such conflicts, violations, breaches, defaults, triggerings, accelerations, increases or other occurrences that would not, individually or in the aggregate, have a Material Adverse Effect on the Company.

(b) The execution and delivery of this Agreement by the Company do not, and the performance of their obligations hereunder will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity or other third party (including lenders and lessor), except (i) for appropriate documents received from or filed with the relevant authorities of other jurisdictions in which the Company or any of its Subsidiaries is licensed or qualified to do business, including the filing by the Company of the GSL Articles of Merger with the Marshall Islands Registrar, (ii) for the filing of any notifications required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the *HSR Act*), and the expiration of the required waiting period thereunder, (iii) the consents, approvals, authorizations and permits described in *Schedule 2.5*, (iv) any consents, approvals, authorizations, filings or exemptions in connection with compliance with the rules of the American Stock Exchange (*AMEX*) or any other national securities exchange, and (v) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company.

*2.6 Compliance.*

(a) Neither the Company nor any of its Subsidiaries is in breach or violation of, or in default under (nor has any event occurred which, with notice, lapse of time or both, would result in any breach or violation of, constitute a default under or give the holder of any Indebtedness (or a person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a part of such Indebtedness under), (i) its Fundamental Documents, (ii) any indenture, mortgage, deed of trust, bank loan or credit agreement or other evidence of Indebtedness, or any license, lease, contract or other agreement or instrument to which it is a party or by which it or any of its properties may be bound or affected, (iii) any Legal Requirements, (iv) any rule or regulation of any Governmental Entity, or (v) any Order applicable to it or any of its properties, except in the case of the foregoing clauses (ii), (iii), (iv) and (v) as would not, individually or in the aggregate, have, or reasonably be expected to have, a Material Adverse Effect on the Company.

(b) To the knowledge of the Company, neither the Company nor any of its Subsidiaries nor any director, officer, agent, employee or Affiliate of the Company or any of its Subsidiaries is aware of or has taken any

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action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the *Foreign Corrupt Practices Act* ).

(c) No action, suit or proceeding by or before any Governmental Entity involving the Company or any of its Subsidiaries or any of the Vessels with respect to the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Entity, is pending, or to the Company's or CMA's knowledge, threatened.

(d) To the knowledge of the Company, neither the Company nor any of its Subsidiaries nor any director, officer, agent, employee or Affiliate of the Company or any of its Subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department.

*2.7 Financial Statements.*

(a) The Company has made available to MAQ the Carve-Out Financial Statements and the Company Financial Statements, together with the related notes and schedules, included in the Registration Statement (the *Financial Statements* ).

(b) The Financial Statements related to the Predecessor present fairly in all material respects the consolidated financial position of the Predecessor as of the dates indicated and the consolidated results of operations and, cash flows of the Predecessor and have been prepared in conformity with U.S. GAAP applied on a consistent basis during the periods involved, except that the unaudited interim financial statements were, are or will be subject to normal year-end adjustments which were not or are not expected to be material; and the Financial Statements related to the Company present fairly in all material respects the financial position of the Company as of the date indicated and have been prepared in conformity with U.S. GAAP. The Financial Statements included in the Registration Statement were prepared in compliance with all material requirements of Form F-1 of the Securities Act.

(c) The total amount of outstanding Indebtedness of the Company and its Subsidiaries does not exceed US\$582,000,000 and, as of June 30, 2008, the total amount of cash of the Company and its Subsidiaries shall be not less than US\$4,000,000.

*2.8 No Undisclosed Liabilities.* Except as set forth in *Schedule 2.8*, the Company and its Subsidiaries have no Liabilities of a nature required to be disclosed on a balance sheet or in the related notes to financial statements prepared in accordance with U.S. GAAP, except: (i) Liabilities provided for in or otherwise disclosed in the most recent balance sheet included in the Company Financial Statements referenced in *Section 2.7* or in the notes thereto, and (ii) such Liabilities arising in the Ordinary Course of the Company's business since the date of such balance sheet, none of which would reasonably be expected to result in a Material Adverse Effect.

*2.9 Absence of Certain Changes or Events.* Since June 30, 2007, and except as set forth in *Schedule 2.9*, there has not been (i) any material adverse change in (A) the business, properties, management, condition (financial or otherwise) or results of operations of the Company and its Subsidiaries, taken as a whole, or the Predecessor, (B) the ability of any party to this Agreement or the other Transaction Agreements to consummate the transactions contemplated hereby or thereby or (C) the ability of any party to perform under this Agreement or any other Transaction Agreement, (ii) any transaction which is material to the Company and its Subsidiaries, taken as a whole, (iii) any obligation or Liability, direct or contingent (including any off-balance sheet obligations), incurred by the Company or any Subsidiary, which is material to the Company and its Subsidiaries, taken as a whole, (iv) any change in the capital stock or outstanding indebtedness of the Company or any of its Subsidiaries or (v) any dividend or distribution of any kind declared, paid or made on the capital stock of the Company or any of its Subsidiaries.

*2.10 Litigation.* There are no Proceedings pending or, to the knowledge of CMA or the Company, threatened to which the Company or any of its Subsidiaries or any of their respective directors or officers is or would be a

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party or of which any of their respective properties or any Vessel is or would be subject at law or in equity, before or by any Governmental Entity, except any such action, suit, claim, investigation or proceeding which, if resolved adversely to the Company or any Subsidiary, would not, individually or in the aggregate, have a Material Adverse Effect on the Company.

*2.11 Company Benefit Plans.*

(a) Set forth in *Schedule 2.11(a)* is a true and complete list of the Employee Benefit Plans maintained, sponsored or contributed to by the Company or any of its Subsidiaries for the benefit of any current independent contractor or employee of the Company or any of its Subsidiaries (the *Company Plans* ).

(b) Each Company Plan has been established and administered in accordance, in all material respects, with its terms and applicable Legal Requirements. Each Company Plan that is required to be registered has been registered and has been maintained in good standing with applicable Governmental Entities. No Company Plan is subject to the Employee Retirement Income Security Act of 1974, as amended ( *ERISA* ), the Code or other U.S. Legal Requirements.

(c) Except as set forth in *Schedule 2.11(c)*, the consummation of the transactions contemplated hereby (either alone or in connection with any termination of employment following the Closing) shall not (i) entitle any current or former employee or officer of the Company or any of its Subsidiaries to severance pay, unemployment compensation or any other payment, (ii) accelerate the time of payment or vesting, or increase the amount of any compensation or benefit due any such employee or officer, or (iii) require the Company or any of its Subsidiaries to fund any vehicle for the benefit of any of their respective employees.

*2.12 Labor Matters.* Neither the Company nor any of its Subsidiaries is engaged in any unfair labor practice; except for matters which would not, individually or in the aggregate, have a Material Adverse Effect on the Company, (i) there is (A) no grievance or arbitration proceeding arising out of or under collective bargaining agreements is pending or, to the knowledge of CMA or the Company, threatened and (B) no strike, labor dispute, slowdown or stoppage pending or, to the knowledge of CMA or the Company, threatened against the Company or any of its Subsidiaries, (ii) to the knowledge of the Company, no union organizing activities are currently taking place concerning the employees of the Company or any of its Subsidiaries and (iii) to its knowledge, there has been no violation of any Legal Requirements relating to discrimination in the hiring, promotion or pay of employees, any applicable wage or hour laws concerning the employees of the Company or any of its Subsidiaries.

*2.13 Vessels; Property.*

(a) *Schedule 2.13(a)* sets forth the name, owner, flag state of registration (including any bareboat registration), charterer, International Maritime Organization number and call sign, classification society, year of construction, date of last special survey, capacity (gross tonnage or deadweight tonnage, as specified therein), hull type and date of last drydocking and details of any warranty claims for all of the vessels currently owned by the Company and its Subsidiaries (the *Vessels* ). Each Vessel is owned directly by the applicable Subsidiary of the Company as set forth on *Schedule 2.13(a)* and such Subsidiary of the Company has good and marketable title to the applicable Vessel owned by it, free and clear of all Liens. Each Vessel listed on *Schedule 2.13(a)* is duly registered in the name of the Subsidiary that owns it under the laws and regulations and the flag of such Vessel's flag state (as set forth on *Schedule 2.13(a)*) and no other action is necessary to establish and perfect such Subsidiary's title to and interest in the applicable Vessel as against any charterer or third party.

(b) Except as set forth in *Schedule 2.13(b)*, each Vessel is (i) adequate and suitable for use by the Company and its Subsidiaries in its business as presently conducted by it in all material respects; (ii) seaworthy in all material respects for hull and machinery insurance warranty purposes and is in good running order and repair; (iii) in the same condition in all material respects as such Vessel was at the time of receipt by the applicable Subsidiary of the Company, fair wear and tear excepted; (iv) insured against all material risks, and in amounts,

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consistent with common industry practices; (v) in compliance in all material respects with all applicable Legal Requirements, including, but not limited to MTSA, ISM and ISPS Codes; (vi) certified by a member of the International Association of Classification Societies to be in class, without condition or recommendation, free of average damage affecting such Vessel's class and with classification certificates and national certificates, as well as all other certificates such Vessel had at the time of such inspection, valid and unextended without material condition or recommendation by a classification society and with an unexpired term of at least three (3) months, and (vii) free and clear of arrest and detention. To the Company's knowledge, including by reason of classification society reports, any current condition of class or recommendation existing on any Vessel, or any current suspension of a Vessel from its class is set forth on *Schedule 2.13(b)*.

(c) Except as set forth in *Schedule 2.13(c)*, (i) there is no Contract, option or commitment or other right or understanding in favor of, or held by, any Person to acquire any Vessels and (ii) there is no material Liability, debt or obligation of or claim against any Vessel.

(d) Except as set forth in *Schedule 2.13(d)*, since June 30, 2007, there has not been any material adverse change in any of the Vessels.

(e) Since June 30, 2007, (i) there has not been a material partial loss or total loss of or to any of the Vessels, whether actual or constructive, (ii) no Vessel has been arrested or requisitioned for title or hire and (iii) none of the Company and its Subsidiaries, as a whole, has sustained any material loss or interference with its respective business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or Order.

(f) All the property described in the Registration Statement, if any, as being held under lease by the Company or any of its Subsidiaries is held thereby under valid, subsisting and enforceable leases.

*2.14 Taxes.*

(a) *Definition of Taxes.* For the purposes of this Agreement, *Tax* or *Taxes* refers to any and all federal, state, provincial, local and foreign taxes, including without limitation, gross receipts, income, profits, sales, use, occupation, value added, ad valorem, transfer, franchise, withholding, payroll, recapture, employment, excise, property, severance, stamp, capital stock, environmental or windfall taxes, assessments, governmental charges, duties or other like assessments or charges of any kind whatsoever together with all interest, penalties and additions imposed with respect to any such amounts and any obligations under any agreements or arrangements with any other Person with respect to any such amounts and including any liability of a predecessor entity for any such amounts.

(b) *Tax Returns and Audits.* Except as set forth in *Schedule 2.14*:

(i) All Tax Returns required to be filed by or on behalf of the Company or any of its Subsidiaries by the Internal Revenue Code of 1986, as amended (the *Code*) or by applicable state, local or foreign Tax laws with any Tax authority prior to the date hereof have been timely filed. All Tax Returns filed by the Company or any of its Subsidiaries are true, correct and complete in all material respects. All Taxes due and payable of the Company and its Subsidiaries (whether or not reflected on any such Returns) have been timely paid in full.

(ii) Neither the Company nor any of its Subsidiaries has any liability for any unpaid Taxes which have not been accrued for or reserved on the Company's balance sheets included in the Financial Statements (without taking into account any reserve for deferred taxes), whether asserted or unasserted, contingent or otherwise, which is material to the Company, other than any liability for unpaid Taxes that may accrue on the Closing Date or have accrued since the end of the most recent fiscal year in connection with the operation of the business of the Company in the Ordinary Course, none of which is material to the business, results of operations or financial condition of the Company or any of its Subsidiaries.

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(iii) There are no liens for Taxes with respect to any of the assets or properties of the Company or any of its Subsidiaries, other than with respect to Taxes not yet due and payable.

(iv) All Taxes that the Company and its Subsidiaries are required by Legal Requirement to withhold or collect have been duly withheld or collected, and have been timely paid over to the proper governmental authorities or deposited in accordance with Legal Requirements.

(v) Neither the Company nor any Subsidiary has been delinquent in the payment of any material Tax nor is there any material Tax deficiency outstanding, proposed or assessed against the Company or any of its Subsidiaries, nor has the Company or any of its Subsidiaries executed, or been requested to execute, any unexpired waiver of any statute of limitations on or extending the period for the assessment or collection of any Tax. Neither the Company nor any of its Subsidiaries has requested any extension of time within which to file any Tax Return, which return has not yet been filed. No power of attorney with respect to any Taxes has been executed or filed with any Tax authority by or on behalf of the Company or any of its Subsidiaries

(vi) No audit or other examination of any Tax Return of the Company or any of its Subsidiaries by any Tax authority is in progress, nor has the Company been notified in writing of any request for such an audit or other examination.

(vii) Neither the Company nor any of its Subsidiaries (A) is a party to or is bound by any Tax sharing agreement, Tax indemnity obligation or similar agreement, arrangement or practice with respect to Taxes (including, without limitation, any advance pricing agreement, closing agreement or other agreement relating to Taxes with any Tax authority); (B) is or has ever been a member of an affiliated group (other than a group the common parent of which is the Company) filing a consolidated federal income tax return; or (C) has any liability for Taxes of any person arising from the application of Treasury Regulation 1.1502-6 or any analogous provision of state, local or foreign law, or a transferee or successor, by contract or otherwise.

(viii) Neither the Company nor any of its Subsidiaries will be required to include in a taxable period ending after the Closing Date any taxable income attributable to income that accrued, but was not recognized, in a Pre-Closing Tax Period, as a result of an adjustment under Section 481 of the Code, the installment method of accounting, the long-term contract method of accounting, the cash method of accounting, any comparable provision of state, local, or foreign Tax law, or for any other reason.

(ix) The Company has made available to MAQ for inspection complete and correct copies of all material Tax Returns of the Company and its Subsidiaries relating to Taxes for all taxable periods for which the applicable statute of limitations has not yet expired.

(x) *Schedule 2.14* sets forth (i) each jurisdiction in which the Company or any Subsidiary joins, has joined or is or has been required to join for any taxable period ending after 2007 in the filing of any consolidated, combined or unitary Tax Return, and (ii) the common parent corporation and the other individual members of the consolidated, combined or unitary group filing such Tax Return.

(xi) *Schedule 2.14* sets forth each state, county, local, municipal or foreign jurisdiction in which the Company or any of its Subsidiaries files, or is or has been required to file, a Tax Return relating to state and local income, franchise, license, excise, net worth, property or sales and use taxes or is or has been liable for any Taxes on a nexus basis at any time for a taxable period for which the relevant statutes of limitation have not expired.

(xii) At all times since its inception, the Company has been properly treated as a corporation for U.S. federal income tax purposes, and no actions have been taken which are inconsistent with this treatment. No election has been made with respect to the Company for it to be treated as a partnership or disregarded entity for U.S. federal income tax purposes.

(xiii) The Migratory Merger, the GSL Merger, and the transactions contemplated by the Asset Purchase Agreement are intended to be part of a plan or series of related transactions.

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(xiv) The terms of the Merger Agreement and the Asset Purchase Agreement were determined through arms length negotiations between the managements of MAQ and CMA.

**2.15 Environmental Matters.** The Company and its Subsidiaries and their respective properties, assets and operations are in compliance with, and the Company and each of its Subsidiaries hold all permits, authorizations and approvals required under, Environmental Laws (as defined below), except to the extent that failure to so comply or to hold such permits, authorizations or approvals would not, individually or in the aggregate, have a Material Adverse Effect on the Company; there are no past or present events, conditions, circumstances, activities, practices, actions, omissions or plans that could reasonably be expected to give rise to any material costs or liabilities to the Company or any Subsidiary under, or to interfere with or prevent compliance by the Company or any Subsidiary with, Environmental Laws, in any such case, in a manner that is not materially reflected in current operating costs or budgeted capital expenditures which have been made available to MAQ; except as would not, individually or in the aggregate, have a Material Adverse Effect on the Company, neither the Company nor any of its Subsidiaries (a) is the subject of any investigation, (b) has received any notice or claim, (c) is a party to or affected by any pending or, to the knowledge of CMA or the Company, threatened Proceeding, (d) is bound by any Order or (e) has entered into any agreement, in each case relating to any alleged violation of any Environmental Law or any actual or alleged release or threatened release or cleanup at any location of any Hazardous Materials (as defined below) (as used herein, *Environmental Law* means any Legal Requirement relating to health, safety or the protection, cleanup or restoration of the environment or natural resources, including those relating to the distribution, processing, generation, treatment, storage, disposal, transportation, other handling or release or threatened release of Hazardous Materials, and *Hazardous Materials* means any material (including, without limitation, pollutants, contaminants, hazardous or toxic substances or wastes) that is regulated by or may give rise to liability under any Environmental Law).

**2.16 Brokers; Third Party Expense.** Except as to the advisor fees set forth in *Schedule 2.16* (the *Broker Fees* ), the Company has not incurred, nor will it incur, directly or indirectly, any liability for brokerage, finders fees, agent s commissions or any similar charges in connection with this Agreement or any transactions contemplated hereby. No Equity Interests of either the Company or any of its Subsidiaries are payable by the Company to any third party by the Company or any of its Subsidiaries as a result of the Mergers.

**2.17 Agreements, Contracts and Commitments.**

(a) *Schedule 2.17(a)* sets forth a true, complete and accurate list of all Material Company Contracts as of the date hereof.

(b) For purposes of this Agreement, the term *Company Contracts* shall mean all Contracts, whether written or oral, to which the Company or any of its Subsidiaries is a party or by or to which any of the properties or assets of the Company or any of its Subsidiaries are bound, subject or affected.

(c) For purposes of this Agreement, the term *Material Company Contracts* shall mean (x) each Company Contract (i) providing for payments in any calendar year to or by the Company or any of its Subsidiaries in excess of US\$250,000 in the aggregate that is not terminable by the Company or its Subsidiaries without penalty or cost within thirty (30) days or less, or (ii) under which or in respect of which the Company or any of its Subsidiaries presently has any liability or obligation of any nature whatsoever (absolute, contingent or otherwise) in excess of US\$250,000 and (y), without limitation of subclause (x), each of the following Company Contracts:

(i) any Company Contract which has the effect of restricting or limiting the Company or any of its Subsidiaries from freely engaging in any business or prohibiting or materially impairing any business practice of the Company or any of its Subsidiaries, any acquisition of property by the Company or any of its Subsidiaries or the conduct of business by the Company or any of its Subsidiaries as currently conducted, including any non-competition, no disparagement and non-interference agreements;

(ii) any partnership agreement, limited liability company agreement, operating agreement, shareholder agreement or joint venture agreement or any agreement relating to the ownership, voting or disposal of any Equity Interests of any Person;

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(iii) any Company Contract providing for the grant of any preferential rights to purchase or lease any asset of the Company or any of its Subsidiaries or providing for any right (exclusive or non-exclusive) to sell or distribute, or otherwise relating to the sale or distribution of, any product or service of the Company or any of its Subsidiaries;

(iv) any Company Contract for the chartering or management of any Vessel;

(v) any Company Contract relating to the acquisition (by merger, purchase of stock or assets or otherwise) by the Company or any of its Subsidiaries of any operating business or material assets or Equity Interests of any other Person;

(vi) any Company Contract obligating the Company to make payments, contingent or otherwise, arising out of the prior sale or acquisition of any business, assets or stock to or of any other Person;

(vii) any Company Contract granting or purporting to grant, or otherwise in any way relating to, any interest (including a leasehold interest) in real property;

(viii) any Company Contract to which any Related Party of the Company is a party or to which any Related Party has an interest in or receives any benefit; and

(ix) any construction contract, purchase contract, operating agreement, management agreement, crewing agreement, contract of affreightment, financial lease, sale/leaseback, option contract and any contract that contains warranties, in each case as may be material to any Vessel.

(d) True, correct and complete copies of all Material Company Contracts (or written summaries in the case of oral Material Company Contracts) have provided to MAQ or MAQ's counsel prior to the date of this Agreement.

(e) Except as set forth in *Schedule 2.17(e)*, neither the Company (or its applicable Subsidiary) nor, to the knowledge of CMA or the Company, any other party thereto is in breach of or in default under, and no event has occurred which with notice or lapse of time or both would become a breach of or default under, any Material Company Contract, and no party to any Company Contract has given any written notice of any claim of any such breach, default or event, which, individually or in the aggregate, are reasonably likely to be have a Material Adverse Effect on the Company.

2.18 *Insurance*. Each subsidiary of CMA that owned a Vessel maintained, and the Company and each Subsidiary of the Company that currently owns a Vessel maintains, or has caused the technical manager of the Vessels to maintain for its benefit as of the date hereof and as of the date of each Vessel's acquisition, insurance or a membership in a mutual protection and indemnity association covering its properties, operations, personnel and businesses as deemed adequate by such subsidiary of CMA, the Company or its Subsidiary, as the case may be; such insurance or membership insured, insures or will insure against such losses and risks to an extent which is adequate in accordance with customary industry practice to protect the Vessels and, in the case of insurance or a membership maintained by or for the benefit of the Company and its Subsidiaries, their businesses; any such insurance or membership maintained by a subsidiary of CMA was fully in force until the time of sale of such Vessels to the Company and any such insurance or membership maintained by or for the benefit of the Company and its Subsidiaries was fully in force at the time of sale of such Vessels and will continue to be fully in force through the Effective Time; there are no material claims by a subsidiary of CMA, the Company or any of its Subsidiaries under any insurance policy or instrument as to which any insurance company or mutual protection and indemnity association is denying liability or defending under a reservation of rights clause; neither the Company nor any of its Subsidiaries is currently required to make any material payment, or is aware of any facts that would require the Company or any Subsidiary to make any material payment, in respect of a call by, or a contribution to, any mutual protection and indemnity association; and neither the Company nor any of its Subsidiaries has reason to believe that it will not be able to renew or cause to be renewed for its benefit any such insurance or membership in a mutual protection and indemnity association as and when such insurance or membership expires or is terminated.

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2.19 *Governmental Actions/Filings.* Each of the Company and its Subsidiaries has all necessary licenses, permits, franchises, registrations, authorizations, consents and approvals and has made all necessary filings required under any applicable Legal Requirement, and has obtained all necessary licenses, permits, franchises, registrations, authorizations, consents and approvals from other Persons, in order to conduct their respective businesses and to own and operate the Vessels; neither the Company nor any of its Subsidiaries is in violation of, or in default under, or has received notice of any proceedings relating to revocation or modification of, any such license, permits, franchises, registrations, authorizations, consent or approval or any Legal Requirements or any Order applicable to the Company or any of its Subsidiaries, except where such violation, default, revocation or modification would not, individually or in the aggregate, have a Material Adverse Effect on the Company.

2.20 *Related Party Transactions.* Except as set forth in *Schedule 2.20* or contemplated by this Agreement, any Transaction Agreement or the Registration Statement, since the date of the Registration Statement, no Related Party (i) has been a party to any Contract, or has otherwise entered into any transaction, understanding or arrangement, with the Company or any of its Subsidiaries (each such Contract or transaction, understanding or arrangement, a *Related Party Arrangement* ), or (ii) to the knowledge of the Company, owns any property or right, tangible or intangible, which is used by the Company or any of its Subsidiaries.

### **ARTICLE III**

#### **REPRESENTATIONS AND WARRANTIES OF CMA**

CMA represents and warrants to MAQ and the Merger Subsidiary as set forth below in this ARTICLE III:

##### *3.1 Organization and Qualification.*

(a) CMA is a *société anonyme* duly organized, validly existing and in good standing under the laws of France and has the power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted. CMA is in possession of all Approvals necessary to own, lease and operate the properties it purports to own, operate or lease and to carry on its business as it is now being conducted, except where the failure to have such Approvals would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on CMA.

(b) CMA is duly qualified or licensed to do business as a foreign corporation and is in good standing in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its activities makes such qualification or licensing necessary, except for such failures to be so duly qualified or licensed and in good standing that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on CMA.

##### *3.2 Authority Relative to this Agreement.*

(a) CMA has all necessary power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby (including the Merger).

(b) The execution and delivery of this Agreement and the consummation by CMA of the transactions contemplated hereby (including the Merger) have been duly and validly authorized by all necessary action on the part of CMA.

(c) This Agreement has been duly and validly executed and delivered by CMA, and assuming the due authorization, execution and delivery thereof by the other parties hereto, constitutes the legal and binding obligation of CMA, enforceable against CMA in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

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### *3.3 No Conflict; Required Filings and Consents.*

(a) The execution and delivery of this Agreement by the Company and CMA do not, and the performance of this Agreement by the Company and CMA shall not, (i) conflict with or violate the Fundamental Documents of CMA, (ii) conflict with or violate any Legal Requirements applicable to CMA, (iii) result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or result in the creation of a Lien on any of the properties or assets of the Company or any of its Subsidiaries pursuant to, any Contracts to which CMA is a party, or (iv) result in the triggering, acceleration or increase of any payment to any Person pursuant to any such Contract to which CMA is a party, including any change in control or similar provision of any such Contract to which CMA is a party, except, with respect to clauses (ii), (iii) and (iv) for any such conflicts, violations, breaches, defaults, triggerings, accelerations, increases or other occurrences that would not, individually or in the aggregate, have a Material Adverse Effect on CMA or prevent consummation of the Mergers or otherwise prevent CMA from performing its obligations under this Agreement.

(b) The execution and delivery of this Agreement by CMA do not, and the performance of its obligations hereunder will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity or other third party, except (i) for applicable requirements, if any, of the Securities Act, the Exchange Act or blue sky laws, and the rules and regulations thereunder, and appropriate documents received from or filed with the relevant authorities of other jurisdictions in which CMA is licensed or qualified to do business, (ii) the consents, approvals, authorizations and permits described in *Schedule 3.3(b)*, and (iii) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on CMA or prevent consummation of the Mergers or otherwise prevent CMA from performing its obligations under this Agreement.

*3.4 Related Party Transactions.* Except as set forth in *Schedule 3.4* or contemplated by this Agreement, any Transaction Agreement or the Registration Statement, since the date of the Registration Statement, no Related Party (i) has been a party to any Related Party Arrangement or (ii) to the knowledge of CMA, owns any property or right, tangible or intangible, which is used by the Company or any of its Subsidiaries.

*3.5 Governmental Actions/Filings.* CMA, and each of its Affiliates which is a party to a Transaction Agreement, has all necessary licenses, authorizations, consents and approvals and has made all necessary filings required under any Legal Requirement, and has obtained all necessary licenses, authorizations, consents and approvals from other Persons, to perform its obligations under each Transaction Agreement to which it is a party and to consummate the transactions contemplated thereby, except where the failure to have such licenses, authorizations, consents and approvals or to have made such filings would not, individually or in the aggregate, have a Material Adverse Effect on the Company; no such party is in violation of, or in default under, or has received notice of any proceedings relating to revocation or modification of, any such license, authorization, consent or approval or any filing required under any Legal Requirement or any Order applicable to it or any of the Vessels, except where such violation, default, revocation or modification would not, individually or in the aggregate, have a Material Adverse Effect on CMA or prevent consummation of the Mergers or otherwise prevent CMA from performing its obligations under this Agreement.

### *3.6 Investment.*

(a) CMA is acquiring the Common Shares for investment for its own account only and not with a view to, or for resale in connection with, any distribution thereof within the meaning of the Securities Act and it does not have any present intention to transfer the Common Shares to any other person or entity and it shall not assign, encumber or dispose of any interest in the Common Shares acquired pursuant to the terms of this Agreement except in compliance with applicable securities laws.

(b) CMA understands that the Common Shares have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of CMA's investment intent as expressed herein.

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(c) CMA understands that the Common Shares are restricted securities under applicable U.S. federal and state securities laws and that, pursuant to these laws, it must hold the Common Shares indefinitely unless they are registered with the SEC and qualified by state authorities, or an exemption from such registration and qualification requirements is available. CMA acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Common Shares, and other requirements which are outside of CMA's control.

(d) CMA understands that any certificates representing the Common Shares shall bear the following legends (as well as any legends required by applicable United States securities laws):

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL FOR THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

**ARTICLE IV**

**REPRESENTATIONS AND WARRANTIES OF MAQ**

MAQ and the Merger Subsidiary jointly and severally represent and warrant to the Company and CMA as set forth in ARTICLE IV:

*4.1 Organization and Qualification.*

(a) MAQ is a corporation duly incorporated, validly existing and in good standing under the laws of Delaware and has the requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being or currently planned by MAQ to be conducted. MAQ is in possession of all Approvals necessary to own, lease and operate the properties it purports to own, operate or lease and to carry on its business as it is now being or currently planned by MAQ to be conducted, except where the failure to have such Approvals would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on MAQ. Complete and correct copies of the Fundamental Documents of MAQ, as amended and currently in effect, have been heretofore delivered to the Company. MAQ is not in violation of any of the provisions of MAQ's Fundamental Documents.

(b) The Merger Subsidiary is a corporation duly incorporated, validly existing and in good standing under the laws of the Republic of the Marshall Islands and has the power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being or currently planned by the Merger Subsidiary to be conducted. The Merger Subsidiary is in possession of all Approvals necessary to own, lease and operate the properties it purports to own, operate or lease and to carry on its business as it is now being or currently planned by the Merger Subsidiary to be conducted, except where the failure to have such Approvals would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Merger Subsidiary. Complete and correct copies of the Fundamental Documents of the Merger Subsidiary, as amended and currently in effect, have been heretofore delivered to the Company. The Merger Subsidiary is not in violation of any of the provisions of its Fundamental Documents.

(c) MAQ is duly qualified or licensed to do business as a foreign corporation and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its activities makes such qualification or licensing necessary, except for such failures to be so duly qualified or

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licensed and in good standing that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on MAQ. The Merger Subsidiary is duly qualified or licensed to do business as a foreign corporation and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its activities makes such qualification or licensing necessary, except for such failures to be so duly qualified or licensed and in good standing that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Merger Subsidiary.

4.2 *Subsidiaries.* Except for the Merger Subsidiary, MAQ has no Subsidiaries and does not own, directly or indirectly, any ownership, equity, profits or voting interest in any Person or have any agreement or commitment to purchase any such interest, and MAQ has not agreed and is not obligated to make nor is bound by any Contract, as of the date hereof or as may hereafter be in effect under which it may become obligated to make, any future investment in or capital contribution to any other entity.

### 4.3 *Capitalization.*

(a) As of the date of this Agreement, the authorized capital stock of MAQ consists of 249,000,000 shares of MAQ Common Stock and 1,000,000 shares of preferred stock, par value US\$0.0001 per share ( *MAQ Preferred Stock* ), of which 49,410,850 shares of MAQ Common Stock are issued and outstanding, all of which are validly issued, fully paid and nonassessable, and no shares of MAQ Preferred Stock are issued and outstanding. MAQ has 45,535,850 MAQ Warrants outstanding as of the date of this Agreement. As of the date of this Agreement, the authorized Equity Interests of the Merger Subsidiary consists solely of 1,000 registered common shares, par value US\$0.01 per share (the *Merger Subsidiary Shares* ), of which 1,000 shares are issued and outstanding and owned beneficially and of record by MAQ.

(b) Except as set forth in *Schedule 4.3(a)* or in the MAQ SEC Reports, (i) no shares of MAQ Common Stock, MAQ Preferred Stock or the Merger Subsidiary Shares are reserved for issuance upon the exercise of outstanding options to purchase MAQ Common Stock, MAQ Preferred Stock or the Merger Subsidiary Shares granted to employees of MAQ or other parties and there are no outstanding options to purchase MAQ Common Stock, MAQ Preferred Stock or the Merger Subsidiary Shares; (ii) no shares of MAQ Common Stock, MAQ Preferred Stock or the Merger Subsidiary Shares are reserved for issuance upon the exercise of outstanding warrants to purchase MAQ Common Stock, MAQ Preferred Stock or the Merger Subsidiary Shares and there are no outstanding MAQ Warrants; and (iii) no shares of MAQ Common Stock or MAQ Preferred Stock are reserved for issuance upon the conversion of the MAQ Preferred Stock or any outstanding convertible notes, debentures or securities. All shares of MAQ Common Stock, MAQ Preferred Stock or the Merger Subsidiary Shares subject to issuance as aforesaid, upon issuance on the terms and conditions specified in the instrument pursuant to which they are issuable, will be duly authorized, validly issued, fully paid and nonassessable. All outstanding shares of MAQ Common Stock and all outstanding MAQ Warrants have been issued and granted in compliance with (x) all applicable securities laws and (in all material respects) other applicable Legal Requirements, and (y) all requirements set forth in any applicable MAQ Contracts. MAQ has heretofore made available to the Company true, complete and accurate copies of the MAQ Warrants, including any and all documents and agreements relating thereto.

(c) Except as contemplated by this Agreement or the MAQ SEC Reports, there are no registration rights, and there is no voting trust, proxy, rights plan, antitakeover plan or other agreements or understandings to which the MAQ or the Merger Subsidiary is a party or by which the MAQ or the Merger Subsidiary is bound with respect to any equity security of any class of the MAQ or the Merger Subsidiary.

(d) Except as provided for in this Agreement or as set forth in the MAQ SEC Reports, there are no subscriptions, options, warrants, equity securities, partnership interests or similar ownership interests, calls, rights (including preemptive rights), commitments or agreements of any character to which MAQ or the Merger Subsidiary is a party or by which it is bound obligating MAQ or the Merger Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, or repurchase, redeem or otherwise acquire, or cause the repurchase,

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redemption or acquisition of, any shares of capital stock or similar ownership interests of the MAQ or Merger Subsidiary or obligating MAQ or the Merger Subsidiary to grant, extend, accelerate the vesting of or enter into any such subscription, option, warrant, equity security, call, right, commitment or agreement.

*4.4 Authority Relative to this Agreement.* Each of MAQ and the Merger Subsidiary has full entity power and authority to: (i) execute, deliver and perform this Agreement and each ancillary document that MAQ or the Merger Subsidiary, as applicable, has executed or delivered or is to execute or deliver pursuant to this Agreement; and (ii) carry out its obligations hereunder and thereunder and, to consummate the transactions contemplated hereby (including the Mergers). The execution and delivery of this Agreement and the consummation by MAQ and the Merger Subsidiary of the transactions contemplated hereby (including the Mergers) have been duly and validly authorized by all necessary entity action on the part of MAQ and the Merger Subsidiary (including the approval by each of their boards of directors), and no other corporate proceedings on the part of MAQ or the Merger Subsidiary are necessary to authorize this Agreement or to consummate the transactions contemplated hereby, other than the MAQ Stockholder Approval. This Agreement has been duly and validly executed and delivered by MAQ and the Merger Subsidiary and, assuming the due authorization, execution and delivery thereof by the other parties hereto, constitutes the legal and binding obligation of MAQ and the Merger Subsidiary, enforceable against MAQ or the Merger Subsidiary in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

*4.5 No Conflict; Required Filings and Consents.*

(a) Except as set forth in *Schedule 4.5*, the execution and delivery of this Agreement by MAQ and the Merger Subsidiary do not, and the performance of this Agreement by MAQ and the Merger Subsidiary shall not: (i) conflict with or violate Fundamental Documents of MAQ or the Merger Subsidiary, (ii) conflict with or violate any Legal Requirements, or (iii) result in any breach of, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or materially impair MAQ's or the Merger Subsidiary's rights or alter the rights or obligations of any third party under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a Lien on any of the properties or assets of MAQ or the Merger Subsidiary, as applicable, pursuant to, any MAQ Contracts, except, with respect to clauses (ii) or (iii), for any such conflicts, violations, breaches, defaults or other occurrences that would not, individually and in the aggregate, have a material effect on MAQ or the Merger Subsidiary.

(b) Except as set forth in *Schedule 4.5*, the execution and delivery of this Agreement by MAQ and the Merger Subsidiary do not, and the performance of their obligations hereunder will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity, except (i) for applicable requirements, if any, of the Securities Act, the Exchange Act, blue sky laws, and the rules and regulations thereunder, and appropriate documents with the relevant authorities of other jurisdictions in which MAQ or the Merger Subsidiary is qualified to do business, including the filing by MAQ of the Migratory Certificate of Merger with the Delaware Secretary and the Migratory Articles of Merger and the GSL Articles of Merger with the Marshall Islands Registrar, (ii) for the filing of any notifications required under the HSR Act and the expiration of the required waiting period thereunder, (iii) any consents, approvals, authorizations, filings or exemptions in connection with compliance with the rules of the AMEX or any other applicable national securities exchange and (iv) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not, individually or in the aggregate, reasonably be expected to have a material effect on MAQ or the Merger Subsidiary, or prevent consummation of the Mergers or otherwise prevent the parties hereto from performing its obligations under this Agreement.

*4.6 Compliance.* Each of MAQ and the Merger Subsidiary has complied with, and is not in violation of, any Legal Requirements with respect to the conduct of its business, or the ownership or operation of its business, except for failures to comply or violations which, individually or in the aggregate, have not had and are not reasonably likely to have a material effect on MAQ or the Merger Subsidiary, as applicable. The business and

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activities of MAQ and the Merger Subsidiary have not been and are not being conducted in violation of any Legal Requirements. MAQ is not in default or violation of any term, condition or provision of its Fundamental Documents. No written notice of non-compliance with any Legal Requirements has been received by MAQ or the Merger Subsidiary.

### *4.7 SEC Filings; Financial Statements.*

(a) MAQ has made available to the Company a correct and complete copy of each report and registration statement filed by MAQ with the SEC, and will promptly provide to the Company a true and complete copy of any such reports filed after the date hereof and prior to the Closing Date.

(b) Since its inception, MAQ has filed all reports, registration statements and other documents, together with any amendments thereto, required to be filed or submitted under the Securities Act and the Exchange Act, including but not limited to reports on Form 8-K, Form 10-K and Form 10-Q and its Common Stock has been registered under Section 12 of the Exchange Act on Form 8-A (all such reports, registration statements and documents, including its Form 8-A, filed or to be filed with the SEC, including MAQ's initial registration statement relating to the MAQ Common Stock, and the MAQ Warrants, with the exception of the Proxy/Registration Statement, are collectively referred to herein as the *MAQ SEC Reports*). All MAQ SEC Reports were filed in a timely manner. As of their respective dates, the MAQ SEC Reports: (i) were prepared in accordance and complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such MAQ SEC Reports, and (ii) did not at the time they were filed (and if amended or superseded by a filing prior to the date of this Agreement then on the date of such filing and as so amended or superseded) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Except to the extent set forth in the preceding sentence, MAQ makes no representation or warranty whatsoever concerning any MAQ SEC Report as of any time other than the date or period with respect to which it was filed.

(c) Each set of financial statements (including, in each case, any related notes thereto) contained in MAQ SEC Reports, complied in all material respects with the published rules and regulations of the SEC with respect thereto, was prepared in accordance with U.S. GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto) and each fairly presents in all material respects the financial position of MAQ at the respective dates thereof and the results of its operations and cash flows for the periods indicated, except that the unaudited interim financial statements were, are or will be subject to normal year-end adjustments which were not or are not expected to be material.

(d) Neither MAQ nor the Merger Subsidiary nor any of their respective directors or officers is the subject of any investigation, inquiry or proceeding before the SEC or any state securities commission or administrative agency.

(e) MAQ maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

### *4.8 Taxes.*

(a) *Tax Returns and Audits.* Except as set forth in *Schedule 4.8*:

(i) All Tax Returns required to be filed by or on behalf of MAQ or the Merger Subsidiary by the Code or by applicable state, local or foreign Tax laws with any Tax authority prior to the date hereof have been

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timely filed. All Tax Returns filed by MAQ or the Merger Subsidiary are true, correct and complete in all material respects. All Taxes due and payable of MAQ (whether or not reflected on any such Returns) have been timely paid in full.

(ii) Neither MAQ nor the Merger Subsidiary has any liability for any unpaid Taxes which have not been accrued for or reserved on MAQ's balance sheets included in the latest MAQ SEC Report prior to the date hereof (without taking into account any reserve for deferred taxes), whether asserted or unasserted, contingent or otherwise, which is material to MAQ, other than any liability for unpaid Taxes that may accrue on the Closing Date or may have accrued since the end of the most recent fiscal year in connection with the operation of the business of MAQ in the Ordinary Course, none of which is material to the business, results of operations or financial condition of MAQ.

(iii) There are no liens for Taxes with respect to any of the assets or properties of MAQ or the Merger Subsidiary, other than with respect to Taxes not yet due and payable.

(iv) All Taxes that MAQ or the Merger Subsidiary is required by Legal Requirement to withhold or collect have been duly withheld or collected, and have been timely paid over to the proper governmental authorities or deposited in accordance with Legal Requirements.

(v) Neither MAQ nor the Merger Subsidiary has been delinquent in the payment of any material Tax nor is there any material Tax deficiency outstanding, proposed or assessed against MAQ or the Merger Subsidiary, as applicable, nor has MAQ or the Merger Subsidiary executed, or been requested to execute, any unexpired waiver of any statute of limitations on or extending the period for the assessment or collection of any Tax. Neither MAQ nor the Merger Subsidiary has requested any extension of time within which to file any Tax Return, which return has not yet been filed. No power of attorney with respect to any Taxes has been executed or filed with any Tax authority by or on behalf of MAQ.

(vi) No audit or other examination of any Tax Return of MAQ or the Merger Subsidiary by any Tax authority is in progress, nor has MAQ been notified in writing of any request for such an audit or other examination.

(vii) Neither MAQ nor the Merger Subsidiary (A) is a party to or is not bound by any Tax sharing agreement, Tax indemnity obligation or similar agreement, arrangement or practice with respect to Taxes (including, without limitation, any advance pricing agreement, closing agreement or other agreement relating to Taxes with any Tax authority); (B) is or has ever been a member of an affiliated group (other than a group the common parent of which is MAQ) filing a consolidated federal income tax return; or (C) has any liability for Taxes of any person arising from the application of Treasury Regulation 1.1502-6 or any analogous provision of state, local or foreign law, or a transferee or successor, by contract or otherwise.

(viii) Neither MAQ nor the Merger Subsidiary will be required to include in a taxable period ending after the Closing Date any taxable income attributable to income that accrued, but was not recognized, in a Pre-Closing Tax Period, as a result of an adjustment under Section 481 of the Code, the installment method of accounting, the long-term contract method of accounting, the cash method of accounting, any comparable provision of state, local, or foreign Tax law, or for any other reason.

(ix) MAQ has made available for inspection to the Company and CMA complete and correct copies of all material Tax Returns of MAQ and Merger Subsidiary for all taxable periods for which the applicable statute of limitations has not yet expired.

(x) *Schedule 4.8(x)* sets forth (i) each jurisdiction in which MAQ joins, has joined or is or has been required to join for any taxable period ending after 2007 in the filing of any consolidated, combined or unitary Tax Return, and (ii) the common parent corporation and the other individual members of the consolidated, combined or unitary group filing such Tax Return.

(xi) *Schedule 4.8(xi)* sets forth each state, county, local, municipal or foreign jurisdiction in which MAQ files, or is or has been required to file, a Tax Return relating to state and local income, franchise,

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license, excise, net worth, property or sales and use taxes or is or has been liable for any Taxes on a nexus basis at any time for a taxable period for which the relevant statutes of limitation have not expired.

(xii) The Migratory Merger, the GSL Merger, and the transactions contemplated by the Asset Purchase Agreement are intended to be part of a plan or series of related transactions.

(xiii) The terms of the Merger Agreement and the Asset Purchase Agreement were determined through arms length negotiations between the managements of MAQ and CMA.

4.9 *No Undisclosed Liabilities.* Neither MAQ nor the Merger Subsidiary has any Liabilities of a nature required to be disclosed on a balance sheet or in the related notes to the financial statements included in MAQ SEC Reports, prepared in accordance with U.S. GAAP, that are, individually or in the aggregate, material to the business, results of operations or financial condition of MAQ, except (i) Liabilities provided for in or otherwise disclosed in MAQ SEC Reports filed prior to the date hereof and (ii) Liabilities incurred since September 30, 2007 in the Ordinary Course, none of which would have a material effect on MAQ.

4.10 *Absence of Certain Changes or Events.* Except as set forth in MAQ SEC Reports filed prior to the date of this Agreement, and except as contemplated by this Agreement, since January 1, 2007, there has not been: (i) any Material Adverse Effect on MAQ or the Merger Subsidiary, (ii) any declaration, setting aside or payment of any dividend on, or other distribution (whether in cash, stock or property) in respect of, any capital stock of MAQ or the Merger Subsidiary, or any purchase, redemption or other acquisition by MAQ or the Merger Subsidiary of any capital stock of MAQ or the Merger Subsidiary or any other securities of MAQ or the Merger Subsidiary or any options, warrants, calls or rights to acquire any such shares or other securities, (iii) any split, combination or reclassification of any capital stock of MAQ or the Merger Subsidiary, (iv) any material change by MAQ in its accounting methods, principles or practices, except as required by concurrent changes in U.S. GAAP, (v) any change in the auditors of MAQ, (vi) any issuance of capital stock of MAQ, (vii) any revaluation by MAQ of any of its assets, including, without limitation, writing down the value of capitalized inventory or writing off notes or accounts receivable or any sale of assets of MAQ other than in the Ordinary Course or (viii) any agreement, whether written or oral, to do any of the foregoing.

4.11 *Litigation.* There are no Proceedings pending, or to the knowledge of MAQ, threatened against MAQ or the Merger Subsidiary before any Governmental Entity that seeks to restrain or enjoin the consummation of the transactions contemplated by this Agreement or which would reasonably be expected, either individually or in the aggregate with all such claims, actions or proceedings, to have a material effect on MAQ or the Merger Subsidiary or have a material effect on the ability of the parties hereto to consummate the Mergers.

4.12 *Employee Benefit Plans.* Except as may be contemplated by this Agreement, neither MAQ nor the Merger Subsidiary maintains, or has any liability under, any employee compensation, incentive, fringe or benefit plans, policies, programs or arrangements covering any active or former officer, employee or director of MAQ or the Merger Subsidiary (individually a *Plan* and collectively the *Plans*), and neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will result in any payment (including severance, unemployment compensation, golden parachute, bonus or otherwise) becoming due to any officer, director or employee of MAQ or the Merger Subsidiary.

4.13 *Labor Matters.* Neither MAQ nor the Merger Subsidiary is a party to any collective bargaining agreement or other labor union contract applicable to employees of MAQ and MAQ does not know of any activities or proceedings of any labor union to organize any such employees.

4.14 *Title to Property.* Except as set forth in the MAQ SEC Reports, neither MAQ nor the Merger Subsidiary owns or leases any real property or personal property. Except as set forth in *Schedule 4.14*, there are no options or other contracts under which MAQ or the Merger Subsidiary has a right or obligation to acquire or lease any interest in real property or personal property.

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4.15 *Brokers*. Except as set forth in *Schedule 4.15*, neither MAQ nor the Merger Subsidiary has incurred, nor will it incur, directly or indirectly, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with this Agreement or any transaction contemplated hereby.

4.16 *Agreements, Contracts and Commitments*.

(a) Except as set forth in the MAQ SEC Reports filed prior to the date of this Agreement, except those agreements containing only confidentiality and nondisclosure terms, non-solicitation terms and no other material provisions and except engagement letters with advisors, there are no Contracts or obligations (including outstanding offers or proposals) of any kind, whether written or oral, to which MAQ or the Merger Subsidiary is a party or by or to which any of the properties or assets of MAQ or the Merger Subsidiary may be bound, subject or affected without penalty or cost, which either (i) creates or imposes a liability greater than US\$250,000 or (ii) may not be cancelled by MAQ on thirty (30) days' or less prior notice (the *MAQ Contracts*). All MAQ Contracts are listed in *Schedule 4.16(a)* other than this Agreement, those contemplated by this Agreement and those that are exhibits to the MAQ SEC Reports filed prior to the date of this Agreement.

(b) Each MAQ Contract is valid and binding upon and enforceable against MAQ or the Merger Subsidiary, as applicable, and, to MAQ's knowledge, each of the other parties thereto (except insofar as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by principles governing the availability of equitable remedies). True, correct and complete copies of all MAQ Contracts have been heretofore made available to the Company.

(c) Neither MAQ, the Merger Subsidiary, nor, to the knowledge of MAQ, any other party thereto is in breach of or in default under, and no event has occurred which with notice or lapse of time or both would become a breach of or default under, any MAQ Contract, and no party to any MAQ Contract has given any written notice of any claim of any such breach, default or event, except, in each case, as would not individually or in the aggregate, be reasonably likely to have a Material Adverse Effect on MAQ or the Merger Subsidiary. Each agreement, contract or commitment to which MAQ or the Merger Subsidiary is a party or by which it is bound that has not expired by its terms is in full force and effect, except where such failure to be in full force and effect is not reasonably likely to have a material effect on MAQ or the Merger Subsidiary, as applicable.

4.17 *Insurance*. Except as set forth in *Schedule 4.17*, and except for directors' and officers' liability insurance, neither MAQ nor the Merger Subsidiary maintains any Insurance Policies.

4.18 *Indebtedness*. Neither MAQ nor the Merger Subsidiary has any indebtedness for borrowed money.

4.19 *American Stock Exchange Quotation*. MAQ Common Stock is quoted on the AMEX and is a member in good standing with AMEX. There is no action or proceeding pending or, to the knowledge of MAQ, threatened against MAQ by the American Stock Exchange with respect to any intention by such entity to prohibit or terminate the quotation of such securities thereon.

4.20 *Board Approval*. The Board of Directors of each of MAQ and the Merger Subsidiary has, as of the date of this Agreement, unanimously (i) declared the advisability of the Mergers and approved this Agreement and the transactions contemplated hereby, (ii) determined that the Mergers are in the best interests of the holders of MAQ Common Stock and (iii) determined that the fair market value of the Company is equal to at least 80% of the balance of the Trust Fund (excluding deferred underwriting discounts and commissions).

4.21 *Trust Fund*. As of February 29, 2008, MAQ has in the Trust Fund (prior to the payment of the amounts contemplated as being deducted from or reserved against such Trust Fund in accordance with *Section 6.10*) no less than US\$314,870,000 invested in United States' government securities' within the meaning of Section 2(a)(16) of the Investment Company Act of 1940, as amended, having a maturity of 180 days or less, or

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in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940, as amended.

4.22 *Governmental Filings*. Except as set forth in *Schedule 4.22*, each of MAQ and the Merger Subsidiary has been granted and holds, and has made, all necessary licenses, authorizations, consents and approvals and has made all necessary filings required under any applicable Legal Requirement, and has obtained all necessary licenses, authorizations, consents and approvals from other persons, in order to conduct its business (as presently conducted and as intended to be conducted following the Effective Time) or used or held for use by MAQ or the Merger Subsidiary, and true, complete and correct copies of which have heretofore been delivered to the Company. Each of MAQ and the Merger Subsidiary is in compliance in all material respects with all of its respective obligations with respect thereto. No event has occurred and is continuing which requires or permits, or after notice or lapse of time or both would require or permit, and consummation of the transactions contemplated by this Agreement or any ancillary documents will not require or permit (with or without notice or lapse of time, or both), any material modification or termination of any such licenses, authorizations, consents, approval and filings.

**ARTICLE V**

**CONDUCT PRIOR TO THE EFFECTIVE TIME**

5.1 *Conduct of Business by the Company and MAQ*. During the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement pursuant to its terms or the Closing, the Company shall and shall cause its Subsidiaries to, and MAQ shall and shall cause its Subsidiaries to, except in each case to the extent that the other party shall otherwise consent in writing (which consent shall not be unreasonably withheld or delayed), carry on their businesses in the usual, regular and Ordinary Course, in substantially the same manner as heretofore conducted, and use their commercially reasonable efforts to (i) preserve substantially intact their present business organization, (ii) keep available the services of their present officers and key employees, (iii) keep in full force and effect all of their material insurance policies and (iv) preserve their relationships with significant customers, suppliers, distributors, licensors, licensees, and others with which it has significant business dealings. Furthermore, except as required or permitted by the terms of this Agreement, or as set forth in *Schedule 5.1*, without the prior written consent of the other parties (which consents shall not be unreasonably withheld or delayed), during the period from the date of this Agreement and continuing until the earlier of (i) the termination of this Agreement pursuant to *Section 9.1* or (ii) the Closing, the Company shall not, and shall cause its Subsidiaries not to, and MAQ shall not, and shall cause its Subsidiaries not to, do any of the following:

- (a) Declare, set aside or pay any dividends on or make any other distributions (whether in cash, stock, equity securities or property) in respect of any capital stock or split, combine or reclassify any capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for any capital stock;
- (b) Purchase, redeem or otherwise acquire, directly or indirectly, any shares of capital stock;
- (c) Issue, deliver, sell, authorize, pledge or otherwise encumber, or agree to any of the foregoing with respect to, any shares of capital stock or any securities convertible into or exchangeable for shares of capital stock, or subscriptions, rights, warrants or options to acquire any shares of capital stock or any securities convertible into or exchangeable for shares of capital stock, or enter into other agreements or commitments of any character obligating it to issue any such shares or convertible or exchangeable securities;
- (d) Except to the extent required to comply with its obligations hereunder or applicable Legal Requirements, amend its Fundamental Documents;
- (e) Acquire or agree to acquire by merging or consolidating with, or by purchasing any equity interest in or a portion of the assets of, or by any other manner, any business or any corporation, partnership, association or

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other business organization or division thereof, or otherwise acquire or agree to acquire any vessels or any material assets, or enter into any joint ventures, strategic partnerships or alliances or other arrangements that provide for exclusivity of territory or otherwise restrict such party's ability to compete or to offer or sell any products or services;

(f) Sell, lease, license, charter, encumber or otherwise dispose of any vessels or other properties or assets, except the chartering of vessels to CMA in the Ordinary Course;

(g) Except as set forth in *Schedule 5.1(g)*, incur any Indebtedness or guarantee any Indebtedness of another Person, issue or sell any debt securities or options, warrants, calls or other rights to acquire any debt securities, enter into any "keep well" or other agreement to maintain any financial statement condition or enter into any arrangement having the economic effect of any of the foregoing;

(h) Adopt or amend any employee benefit plan, policy or arrangement, any employee stock purchase or employee stock option plan, or enter into any employment contract or collective bargaining agreement (other than offer letters and letter agreements entered into by the Company or any of its Subsidiaries in the Ordinary Course with employees who are terminable "at will"), pay any special bonus or special remuneration to any director or employee, or increase the salaries or wage rates or fringe benefits (including rights to severance or indemnification) of its directors, officers, employees or consultants, except, in the case of the Company and its Subsidiaries only, in the Ordinary Course and only to the extent required to comply with applicable Legal Requirement;

(i) Grant any severance or termination pay to any officer or employee except pursuant to applicable Legal Requirements, or adopt any new severance plan, agreement or arrangement, or amend or modify or alter in any manner any severance plan, agreement or arrangement existing on the date hereof;

(j) Except as set forth in *Schedule 5.1(j)* or except as in the Ordinary Course, pay, discharge, settle or satisfy any claims, Liabilities or obligations, or litigation (whether or not commenced prior to the date of this Agreement) other than the payment, discharge, settlement or satisfaction, in monetary settlements only that do not exceed US\$300,000 for any individual claim, liability or obligation and US\$1,000,000 in the aggregate, or in accordance with their terms, or Liabilities recognized or disclosed in the Financial Statements or in the most recent financial statements included in the MAQ SEC Reports filed prior to the date of this Agreement, as applicable, or waive the benefits of, agree to modify in any manner, terminate, release any Person from or knowingly fail to enforce any confidentiality or similar agreement to which the Company or any of its Subsidiaries is a party or of which the Company or any of its Subsidiaries is a beneficiary or to which MAQ or the Merger Subsidiary is a party or of which MAQ or the Merger Subsidiary is a beneficiary, as applicable;

(k) Except as disclosed in *Schedule 5.1(k)*, modify, amend or terminate any MAQ Contract or Material Company Contract, as the case may be, or waive, delay the exercise of, release or assign any material rights or claims thereunder, in each case outside the Ordinary Course;

(l) Except as required by U.S. GAAP, revalue any of its assets or make any change in accounting methods, principles or practices;

(m) Except as set forth in *Schedule 5.1(m)*, incur or enter into any material agreement, contract or commitment outside the Ordinary Course;

(n) Depart from any normal drydock and maintenance practices or discontinue replacement of spares in operating any Vessel;

(o) Defer any scheduled maintenance on any Vessel;

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- (p) Settle any claim or litigation to which a Related Party is a party or where the consideration given by the Company is other than monetary;
- (q) Make or rescind any material Tax elections, settle or compromise any material income tax liability, agree to any extension or waiver of the statute of limitations with respect to the assessment or determination of Taxes, surrender any right to claim a refund, or, except as required by applicable Legal Requirement, materially change any method of accounting for Tax purposes or prepare or file any Tax Return in a manner inconsistent with past practice;
- (r) Make capital expenditures except in accordance with prudent business and operational practices consistent with prior practice;
- (s) Enter into any transaction with or distribute or advance any assets or property to any of its officers, directors, stockholders or other Affiliates other than the payment of salary and benefits in the Ordinary Course; or
- (t) Agree in writing or otherwise agree, commit or resolve to take any of the actions described in *Section 5.1(a)* through (s).

*5.2 Exclusivity.*

(a) From the date of this Agreement until its termination pursuant to *Section 9.1*, neither MAQ, the Merger Subsidiary, CMA, the Company nor any of its Subsidiaries shall, and MAQ, the Merger Subsidiary, CMA, the Company and its Subsidiaries shall use their commercially reasonable best efforts to cause each of their officers, directors, affiliates, managers, employees, representatives and agents not to, directly or indirectly, (i) encourage, solicit, initiate, engage or participate in negotiations with any Person (a *Third Party* ) concerning any Acquisition Transaction or (ii) take any other action intended or designed to facilitate the efforts of any Person relating to a possible Acquisition Transaction. For purposes of this Agreement, the term *Acquisition Transaction* shall mean any of the following involving MAQ, the Company or any of its Subsidiaries: (i) any merger, consolidation, share exchange, business combination or other similar transaction, or (ii) any sale, lease, exchange, transfer or other disposition of any material portion of the assets of MAQ, the Company or any of its Subsidiaries or any shares of the capital stock of MAQ, the Company or any of its Subsidiaries in a single transaction or series of transactions.

(b) In the event that there is an unsolicited proposal for or an unsolicited indication of a serious interest in entering into, an Acquisition Transaction, communicated in writing to MAQ or the Company or any of its Subsidiaries, or any of their representatives or agents (each, an *Acquisition Proposal* ), such party shall as promptly as practicable (and in any event within one (1) business day after receipt) advise the other parties to this Agreement orally and in writing of any Acquisition Proposal and the material terms and conditions of any such Acquisition Proposal (including any changes thereto) and the identity of the person making any such Acquisition Proposal. Each party shall keep the other parties informed on a reasonably current basis of material developments with respect to any such Acquisition Proposal.

**ARTICLE VI**

**ADDITIONAL AGREEMENTS**

*6.1 Proxy/Registration Statement; Special Meeting.*

(a) As soon as is reasonably practicable after the date of this Agreement, MAQ and the Company shall jointly prepare and MAQ shall file with the SEC under the Securities Act and the Exchange Act, and with all other applicable regulatory bodies, a proxy statement of MAQ and a registration statement of the Merger

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Subsidiary (together with all amendments and supplements thereto, the *Proxy/Registration Statement* ), for the purpose of (i) soliciting proxies from MAQ's stockholders for the purpose of obtaining the requisite approval of the transactions contemplated hereby (the *MAQ Stockholder Approval* ) at a meeting of MAQ's stockholders to be called and held for such purpose (the *Special Meeting* ), (ii) soliciting consents from holders of MAQ Warrants for obtaining the requisite approval of amendments to the warrant agreement required for the transactions contemplated hereby (the *MAQ Warrantholder Approval* ), and (iii) registering the securities of the Merger Subsidiary to be issued to MAQ's securityholders in connection with the Mergers. Each of the parties hereto shall cooperate in the preparation, filing and mailing of the Proxy/Registration Statement. The Proxy/Registration Statement will comply in all material respects with Legal Requirements. As soon as reasonably practicable (but in any event within ten (10) business days following the date of this Agreement), the Company shall deliver the GSL Information and MAQ shall deliver the MAQ Information to each other. Each of the parties hereto shall also furnish to each other on a timely basis all other information as may be requested in connection with the preparation of the Proxy/Registration Statement. Each of MAQ and the Company shall, as promptly as practicable after receipt thereof, provide the other party copies of any written comments and advise the other party of any oral comments with respect to the Proxy/Registration Statement received from the SEC or any other Governmental Entity. The parties shall cooperate and provide the other with a reasonable opportunity to review and comment on the Proxy/Registration Statement and any amendments or supplements thereto in advance of filing such with the SEC and/or each other applicable Government Entity.

(b) Each party will advise the other parties, promptly after it receives notice thereof, of any request by the SEC for amendment of the Proxy/Registration Statement. If, at any time prior to the Effective Time, any information relating to MAQ or the Company, or any of their respective Affiliates, officers or directors, is discovered by MAQ or the Company and such information should be set forth in an amendment or supplement to the Proxy/Registration Statement so that any of such documents would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party discovering such information shall promptly notify the other parties hereto and, to the extent required by Legal Requirement, an appropriate amendment or supplement describing such information shall be promptly filed with the SEC and disseminated to the stockholders of MAQ.

(c) As soon as practicable following its approval by the SEC, MAQ shall distribute the Proxy/Registration Statement to its stockholders and warrant holders and shall call the Special Meeting in accordance with its certificate of incorporation, bylaws and Delaware Law and solicit proxies and consents from such stockholders and warrant holders to vote in favor of all of the proposals contained in the Proxy/Registration Statement. MAQ shall comply with all applicable federal and state securities laws.

(d) MAQ, acting through its board of directors, shall include in the Proxy/Registration Statement the recommendation of its board of directors that MAQ's stockholders vote in favor of adoption of this Agreement.

*6.2 MAQ SEC Reports; Proxy/Registration Statement.*

(a) MAQ will file all MAQ SEC Reports required to be filed by it from the date of this Agreement to the Closing Date and will use commercially reasonable best efforts to do so in a timely manner. The MAQ SEC Reports (i) will be prepared in accordance and comply in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such MAQ SEC Reports, and (ii) will not at the time they are filed (and if amended or superseded by a filing prior to the date of this Agreement then on the date of such filing and as so amended or superseded) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The information relating to the Company and its Subsidiaries supplied by the Company or any of its Subsidiaries for inclusion in the Proxy/Registration Statement will not, as of the date of its distribution to MAQ's

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stockholders (or any amendment or supplement thereto), or at the time of the Special Meeting, contain any statement which, at such time and in light of the circumstances under which it is made, is false or misleading with respect to any material fact, or omit to state any material fact required to be stated therein or necessary in order to make the statement therein not false or misleading.

(c) The information relating to MAQ or the Merger Subsidiary supplied to the Company and CMA for inclusion in the Proxy/Registration Statement will not, as of the date of its filing with the SEC (or on the dates of any amendments or supplements thereto filed with the SEC), contain any statement which, at such time and in light of the circumstances under which it is made, is false or misleading with respect to any material fact, or omit to state any material fact required to be stated therein or necessary in order to make the statement therein not false or misleading.

**6.3 Public Disclosure.** From the date of this Agreement until the Closing or the termination of this Agreement, neither CMA, the Company nor any of their Affiliates shall issue or otherwise make any press releases, public announcements or communications with third parties pertaining to this Agreement or the transactions contemplated hereby (collectively, *Public Disclosure*) (other than (i) any communications with its customers, lenders and other sources of capital, joint venture partners, advisors, suppliers, distributors, licensors, licensees and other third parties with which it has significant business dealings that is limited to information contained in the Proxy/Registration Statement, or (ii) as required by Legal Requirements) without the prior consent of MAQ, which consent shall not be unreasonably withheld or delayed. From the date of this Agreement until Closing or the termination of this Agreement, Public Disclosure by MAQ or the Merger Subsidiary shall comply with applicable Legal Requirements and the provisions of *Section 6.13(b)* herein; *provided further*, that if Public Disclosure by MAQ or the Merger Subsidiary is in written form and includes the names of CMA or the Company or their respective management teams and information about them which is substantially different than the Proxy/Registration Statement or any previous Public Disclosure, then MAQ shall provide copies of such Public Disclosure to the Company and CMA and their advisors reasonably in advance of its issuance or dissemination and shall incorporate any changes thereto that the Company and CMA may reasonably request (unless such Public Disclosure is required by Legal Requirements or by a MAQ SEC Report).

### *6.4 Access; Inspection.*

(a) The Company will and will cause its Subsidiaries to afford MAQ and its financial advisors, accountants, counsel and other representatives reasonable access during normal business hours, upon reasonable notice, to the properties, books, records and personnel of the Company and its Subsidiaries during the period prior to the Closing to obtain all information concerning the business, properties, results of operations and personnel of the Company and its Subsidiaries, as MAQ may reasonably request. In addition, the Company shall provide MAQ no later than thirty (30) days following the end of any calendar month or forty-five (45) days following the end of any calendar quarter, with access to and copies of the monthly or quarterly consolidated balance sheet and related consolidated statements of income and cash flows, of the Company and its Subsidiaries for such calendar month or quarter. No information or knowledge obtained by MAQ in any investigation pursuant to this *Section 6.4* will affect or be deemed to modify any representation or warranty contained herein or the conditions to the obligations of the parties to consummate the Mergers.

(b) MAQ will afford CMA and the Company and their financial advisors, underwriters, accountants, counsel and other representatives reasonable access during normal business hours, upon reasonable notice, to the properties, books, records and personnel of MAQ during the period prior to the Closing to obtain all information concerning the business, properties, results of operations and personnel of MAQ, as CMA or the Company may reasonably request. No information or knowledge obtained by the Company in any investigation pursuant to this *Section 6.4* will affect or be deemed to modify any representation or warranty contained herein or the conditions to the obligations of the parties to consummate the Mergers.

(c) The Company will and will cause its Subsidiaries to permit MAQ and its representatives to conduct a physical inspection of the Vessels during the period prior to the Closing (such inspections to be performed

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(i) after providing reasonable advance notice to CMA and the Company of the specific inspection requests, (ii) during normal daylight business hours and (iii) without interfering with the normal course of business of the Vessels and their respective crew members). The parties acknowledge and agree that, notwithstanding Section 6.6 or other provisions herein to the contrary, (i) neither CMA nor the Company shall be obligated to repair any Vessel or cure any breach related to the Vessels as a result of such inspection, and (ii) that any costs or expenses to remedy the conditions and exceptions set forth in *Schedule 2.13(b)* shall remain the obligation of the Company and the Surviving Company after the Effective Time; provided that, this sentence is not intended to alter any of the rights or obligations under the Asset Purchase Agreement.

**6.5 Takeover Laws.** Each of MAQ, the Merger Subsidiary and the Company and their respective boards of directors or other governing bodies shall grant such approvals and take all actions necessary so that no fair price, moratorium, control share acquisition or other similar anti-takeover statute or regulation (including Section 203 of the Delaware Law and Division 10 under the BCA) is or may become applicable to this Agreement or to the transactions contemplated hereby.

### *6.6 Commercially Reasonable Efforts.*

(a) Upon the terms and subject to the conditions set forth in this Agreement, each of MAQ, the Merger Subsidiary, CMA and the Company agrees to use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the Mergers and the other transactions contemplated by this Agreement, including using commercially reasonable efforts to accomplish the following: (i) the taking of all reasonable acts necessary to cause the conditions precedent set forth in *ARTICLE VII* to be satisfied, (ii) the obtaining of all necessary actions, waivers, consents, approvals, orders and authorizations from Governmental Entities and the making of all necessary registrations, declarations and filings (including registrations, declarations and filings with Governmental Entities, if any), (iii) the obtaining of all consents, approvals or waivers from third parties required as a result of the transactions contemplated in this Agreement, including the consents referred to in *Schedule 2.5(b)*, (iv) the defending of any Proceedings, whether judicial or administrative, concerning this Agreement and the consummation of the transactions contemplated hereby, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Entity vacated or reversed and (v) the execution or delivery of any additional instruments reasonably necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement.

(b) Each of the Company, CMA, MAQ and the Merger Subsidiary shall further cooperate with each other and use their respective commercially reasonable efforts to take or cause to be taken all actions, and do or cause to be done all things, necessary, proper or advisable on its part under this Agreement and applicable Legal Requirements to consummate the Mergers and the other transactions contemplated hereby as soon as practicable, including preparing and filing as soon as practicable all documentation to effect all necessary notices, reports and other filings and to obtain as soon as practicable all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any third party (including the respective independent accountants of the Company and MAQ) and/or any Governmental Entity in order to consummate the Mergers or any of the other transactions contemplated hereby. Subject to applicable Legal Requirements relating to the exchange of information and the preservation of any applicable attorney-client privilege, work-product doctrine, self-audit privilege or other similar privilege, each of the Company, CMA, MAQ and the Merger Subsidiary, and their respective advisors, shall have the right to review and comment on in advance, and to the extent practicable each will consult the other on, all the information relating to such party, that appear in any filing made with, or written materials submitted to, any third party and/or any Governmental Entity in connection with the Mergers and the other transactions contemplated hereby. In exercising the foregoing right, each of the Company, CMA, MAQ and the Merger Subsidiary shall act reasonably and as promptly as practicable.

(c) Without limiting anything else contained in this Agreement, including in *Section 6.1* and this *Section 6.6*, from the date of this Agreement until the Effective Time, MAQ and the Merger Subsidiary, on the one hand, and

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the Company and its Subsidiaries, on the other hand, each shall, and shall use their commercially reasonable efforts to cause each of their respective officers, directors, employees, advisors, attorneys, accountants and representatives to, provide all cooperation reasonably requested by the other parties in connection with the Proxy/Registration Statement, the Special Meeting, and any financing arrangements that may be entered into by MAQ or the Merger Subsidiary or the Company or its Subsidiaries in connection with the transactions contemplated hereby, including (i) using commercially reasonable efforts to (A) cause appropriate officers, managers and employees to be available, on a customary basis and on reasonable notice, to meet with prospective and current lenders and investors in meetings, presentations, road shows and due diligence sessions, (B) assist with the preparation of disclosure documents in connection therewith, and (C) cause their independent accountants to provide assistance to the parties hereto, including authorizing the preparation and use of such accountants' audit reports, SAS 100 reviews and comfort letters.

*6.7 No Claim Against Trust Fund.*

FOR AND IN CONSIDERATION OF MAQ'S AGREEMENT TO ENTER INTO THIS AGREEMENT, EACH OF THE COMPANY AND CMA HEREBY IRREVOCABLY AND ABSOLUTELY WAIVES ANY RIGHT, TITLE, INTEREST OR CLAIM OF ANY KIND (ANY CLAIM) IT HAS OR MAY HAVE IN THE FUTURE, IN OR TO ANY MONIES IN THE TRUST FUND AND AGREES NOT TO SEEK RECOURSE AGAINST THE TRUST FUND OR ANY AMOUNTS DISTRIBUTED THEREFROM AS A RESULT OF, OR ARISING OUT OF, ANY CLAIMS AGAINST MAQ IN CONNECTION WITH THIS AGREEMENT. THIS WAIVER IS INTENDED AND SHALL BE BINDING ON THE COMPANY'S AND CMA'S SUBSIDIARIES, AFFILIATED ENTITIES, MANAGERS, DIRECTORS, OFFICERS, EMPLOYEES, MEMBERS, SHAREHOLDERS, REPRESENTATIVES, ADVISORS, ALL OTHER ASSOCIATES AND AFFILIATES, AND RESPECTIVE SUCCESSORS AND ASSIGNS, AS THE CASE MAY BE.

*6.8 Charter Protections; Directors' and Officers' Liability Insurance.*

(a) All rights to indemnification for acts or omissions occurring through the Closing Date now existing in favor of the current directors and officers of MAQ, the Merger Subsidiary and the Company as provided in the applicable Fundamental Documents or in any indemnification agreements shall survive the Mergers and shall continue in full force and effect in accordance with their terms.

(b) For a period of six (6) years after the Closing Date, the Surviving Company shall cause to be maintained in effect the current policies of directors and officers liability insurance maintained by MAQ and the Company, respectively (or policies of at least the same coverage and amounts containing terms and conditions which are no less advantageous), with respect to claims arising from facts and events that occurred prior to the Closing Date; *provided, however*, that in no event will the Surviving Company be required to expend in any one year an amount in excess of 300% of the aggregate annual premiums currently paid by each of the MAQ and the Company.

(c) If the Surviving Company or any of its successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving entity of such consolidation or merger, or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, in each such case, proper provision shall be made so that the successors and assigns of the Surviving Company assume the obligations set forth in this *Section 6.8*.

(d) The provisions of this *Section 6.8* are intended to be for the benefit of, and shall be enforceable by, each Person who will have been a director or officer of MAQ, the Merger Subsidiary or the Company or any of its Subsidiaries for all periods ending on or before the Closing Date and may not be changed with respect to any officer or director without his or her written consent.

6.9 *HSR*. If required pursuant to the HSR Act, as promptly as practicable after the date of this Agreement, each of the parties hereto (or, if applicable, their respective ultimate parents) shall each prepare and file the notification required of it thereunder in connection with the transactions contemplated by this Agreement and

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shall promptly and in good faith respond to all information requested of it by the Federal Trade Commission or Department of Justice in connection with such notification and otherwise cooperate in good faith with each other and such Governmental Entities. The parties hereto shall (a) promptly inform the other of any communication to or from the Federal Trade Commission, the Department of Justice or any other Governmental Entity regarding the transactions contemplated by this Agreement, (b) give the other prompt notice of the commencement of any action, suit, litigation, arbitration, proceeding or investigation by or before any Governmental Entity with respect to such transactions and (c) keep the other reasonably informed as to the status of any such action, suit, litigation, arbitration, proceeding or investigation. Filing fees with respect to the notifications required under the HSR Act shall be paid by MAQ.

6.10 *Trust Fund Disbursement.* MAQ shall cause the Trust Fund to disburse to MAQ (and in part to CMA in accordance with Section 1.6 herein), immediately upon the Closing, an amount not less than US\$314,870,000 (plus interest accrued on such amount from February 29, 2008 and until the Closing Date pursuant to the terms of the Trust Account Agreement) less (i) the US\$6,405,736 of deferred underwriting fees, (ii) Liabilities in respect of MAQ Dissenting Shares, and (iii) all MAQ Tax Liabilities, and adequate reserves shall be made against applicable amounts distributed from the Trust Fund therefor. The aggregate amount actually disbursed to MAQ pursuant to this *Section 6.10*, and to CMA pursuant to Section 1.6 herein, is referred to herein as the *Disbursement Amount* ). At the Closing, the Disbursement Amount shall be no less than US\$240 million.

6.11 *Section 16 Matters.* Prior to the Effective Time, each of MAQ, the Merger Subsidiary and the Company shall use its commercially reasonable best efforts to cause any acquisitions or dispositions of equity securities of the Company, MAQ or the Merger Subsidiary (including derivative securities) resulting from the transactions contemplated by this Agreement by each individual who is, or as a result of the transactions contemplated by this Agreement will be, subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to the Company, MAQ or the Merger Subsidiary to be exempt under Rule 16b-3 promulgated under the Exchange Act.

6.12 *Termination of Related Party Arrangements.* Effective from and after the Effective Time, the Surviving Company and each of its Subsidiaries shall be released automatically and without any further action from any and all obligations or Liabilities under each Related Party Arrangement to which any Related Party and the Company or any of its Subsidiaries is a party (including any Indebtedness owed to CMA under the Shareholder Loan dated December 11, 2007 or the Current Account Advance Agreement dated December 11, 2007) (other than any related agreements contemplated by this Agreement and those Related Party Arrangements set forth on *Schedule 6.12*) and no such agreement or transaction shall have any further force or effect from and after the Effective Time (and each such agreement shall be deemed cancelled and terminated with no penalties, payments or continuing obligations of any kind).

6.13 *Non-Solicitation; Confidentiality.*

(a) The parties to this Agreement hereby covenant and agree on behalf of themselves and their Affiliates that from and after the Closing Date until one (1) year thereafter, neither they nor any of their Affiliates shall, directly or indirectly, solicit or hire for employment (or make offers of employment to, or accept any business services from, including as a consultant) any employee or any other party to this Agreement.

(b) The Company and its Subsidiaries, CMA, MAQ and the Merger Subsidiary shall keep, and shall cause their Affiliates and their respective employees to keep, any and all confidential and proprietary information, know-how, technical information or trade secrets to the extent relating to CMA, MAQ, the Merger Subsidiary, the Company and its Subsidiaries, their business and the Vessels (collectively, *Confidential Information* ), confidential and shall not disclose any Confidential Information to any Person and shall not use any Confidential Information for their own purposes or advantages unless and until such information (i) is or becomes a matter of public knowledge through no breach by the Company and its Subsidiaries, MAQ, the Merger Subsidiary, CMA or any of their Affiliates of any obligation to the Surviving Company or its Affiliates, (ii) is lawfully acquired

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from a third party without restrictions of confidentiality, (iii) is independently developed by the Company and its Subsidiaries, CMA, MAQ, or the Merger Subsidiary or their Affiliates without reliance on other Confidential Information or (iv) is required to be disclosed by applicable Legal Requirement, subpoena or other legal process; provided, that in case of any potential disclosure under this subclause (iv), the party that is required to disclose the Confidential Information shall provide the other non-disclosing parties with prompt written notice of such requirement, including copies of subpoenas or Orders requesting or ordering such disclosure of Confidential Information, cooperate reasonably with the other parties in resisting the disclosure of such Confidential Information via a protective Order or other appropriate legal action, and shall incorporate the other parties and the other parties' advisors' comments to such disclosure.

6.14 *Payment of Certain Fees.* MAQ acknowledges and agrees that the Advisor Fees and the fees and expenses set forth in *Schedule 6.14* are liabilities of the Company (and of the Surviving Company after the Effective Time) that are due and payable upon the Closing or promptly thereafter.

6.15 *Internal Controls.* As of the Effective Time, the Company, and each of its Subsidiaries, shall have systems of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

6.16 *Tax Treatment.* The parties intend to obtain the opinion of Akin, Gump, Strauss, Hauer & Feld LLP, tax counsel to MAQ, to the effect that (i) the Migratory Merger should qualify as a reorganization within the meaning of Section 368(a) of the Code, (ii) no gain should be recognized by the shareholders of MAQ in the Migratory Merger, and (iii) the Merger Subsidiary should not be treated as a U.S. corporation pursuant to Section 7874 of the Code (such opinions described in clauses (i)-(iii), the *Tax Opinions*). For purposes of the Tax Opinions described above, MAQ and the Merger Subsidiary shall provide representation letters reasonably required by Akin, Gump, Strauss, Hauer & Feld LLP (the *MAQ Representation Letters*) and CMA shall provide a representation letter substantially in the form of *Exhibit D* hereto (the *CMA Representation Letter*), each dated on or about the Closing Date, and if necessary, on or about the date the Proxy/Registration Statement shall become effective. Each of MAQ, the Merger Subsidiary, CMA and the Company and each of their respective Affiliates shall not knowingly take any action, fail to take any action, cause any action to be taken or not taken, or suffer to exist any condition, which action or failure to take action or condition would prevent, or would be reasonably likely to prevent, the Tax Opinions from being delivered and none of MAQ, the Merger Subsidiary, CMA or the Company shall take any position for U.S. federal, state or local tax purposes that is inconsistent with the Tax Opinions.

6.17 *Purchase of MAQ Shares.* From the date hereof until the Effective Time, CMA shall not, and shall not permit its Affiliates to, acquire beneficial ownership of any shares of MAQ Common Stock or other equity securities of MAQ (including MAQ Warrants).

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**ARTICLE VII**

**CONDITIONS TO THE TRANSACTION**

*7.1 Conditions to Obligations of Each Party to Effect the Merger.* The respective obligations of each party to this Agreement to effect the Mergers shall be subject to the satisfaction at or prior to the Closing Date of the following conditions (with the result that, at the time the Migratory Merger is effected, all conditions to the GSL Merger shall have been met or waived):

(a) *MAQ Stockholder Approval and MAQ Warrantholder Approval.* MAQ shall have obtained the MAQ Stockholder Approval and the MAQ Warrantholder Approval.

(b) *MAQ Common Stock.* Holders of less than 20% of the shares of MAQ Common Stock issued in MAQ's initial public offering of securities and outstanding immediately before the Closing shall have exercised their rights to convert their shares into a pro rata share of the Trust Fund in accordance with MAQ's Fundamental Documents.

(c) *HSR Act.* All specified waiting periods applicable to MAQ, the Company or any ultimate parent entity thereof under the HSR Act shall have expired and no Governmental Entity shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent) which is in effect and which has the effect of making any of the Mergers illegal or otherwise prohibiting consummation of any of the Mergers substantially on the terms contemplated by this Agreement.

(d) *No Order.* No Governmental Entity shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent) which is in effect and which has the effect of making any of the Mergers illegal or otherwise prohibiting consummation of any of the Mergers, on the terms contemplated by this Agreement.

(e) *Tax Opinion.* MAQ and the Merger Subsidiary shall have received the Tax Opinions, dated as of the Closing Date, and if necessary, dated as of the date the Proxy/Registration Statement becomes effective. In rendering the Tax Opinions, Akin, Gump, Strauss, Hauer & Feld LLP shall be entitled to rely upon the MAQ Representation Letters and the CMA Representation Letter.

*7.2 Additional Conditions to Obligations of the Company and CMA.* The obligation of the Company and CMA to consummate and effect the Mergers shall be subject to the satisfaction at or prior to the Closing Date of each of the following conditions, any of which may be waived, in writing, exclusively by the Company and CMA:

(a) *Representations and Warranties.* The representations and warranties of MAQ and the Merger Subsidiary set forth in this Agreement that are (i) qualified as to Material Adverse Effect shall have been true and correct as of the date hereof and as of the Closing Date, with the same force and effect as if made on the Closing Date, and (ii) not qualified as to Material Adverse Effect shall have been true and correct as of the date hereof and true and correct in all material respects as of the Closing Date, with the same force and effect as if made on the Closing Date. The Company and CMA shall have received a certificate with respect to the foregoing signed on behalf of MAQ and the Merger Subsidiary by an authorized officer of each of MAQ and the Merger Subsidiary (the *MAQ Closing Certificate*).

(b) *Agreements and Covenants.* MAQ and the Merger Subsidiary shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by them on or prior to the Closing Date, and the MAQ Closing Certificate shall include a provision to such effect.

(c) *Trust Fund.* MAQ shall have made appropriate arrangements reasonably satisfactory to the Company and CMA to have the Trust Fund, which shall contain no less than the Disbursement Amount described in

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Section 6.10, disbursed to MAQ upon the Closing and to CMA in accordance with *Sections 1.6* and *6.10* at the Closing.

(d) *Material Adverse Effect*. At any time on or after the date of this Agreement, there shall not have occurred any change, circumstance or event that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect on MAQ or the Merger Subsidiary.

(e) *Ancillary Documents*. Marathon Founders LLC shall have executed and delivered the Stockholders Agreement.

*7.3 Additional Conditions to the Obligations of MAQ*. The obligation of MAQ and the Merger Subsidiary to consummate and effect the Mergers shall be subject to the satisfaction at or prior to the Closing Date of each of the following conditions, any of which may be waived, in writing, exclusively by MAQ:

(a) *Representations and Warranties*. The representations and warranties of the Company and CMA set forth in this Agreement that are (i) qualified as to Material Adverse Effect shall have been true and correct as of the date hereof and as of the Closing Date, with the same force and effect as if made on the Closing Date (or, if given as of a specific date, as of such date) and (ii) not qualified as to Material Adverse Effect shall have been true and correct as of the date hereof as stated and as of the Closing Date in all material respects. MAQ and the Merger Subsidiary shall have received a certificate with respect to the foregoing signed on behalf of the Company by an authorized officer of the Company and an authorized officer of CMA (the *Company/CMA Closing Certificate* ).

(b) *Agreements and Covenants*. The Company and CMA shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by them on or prior to the Closing Date, and the Company/CMA Closing Certificate shall include a provision to such effect.

(c) *Material Adverse Effect*. No Material Adverse Effect with respect to the Company shall have occurred since the date of this Agreement.

(d) *Credit Facility*. The Credit Facility shall be in full force and effect as of the Effective Time.

(e) *Ancillary Documents*. The Company and its Subsidiaries, CMA or their applicable Affiliates shall have executed and delivered each of the Transaction Agreements.

## **ARTICLE VIII**

### **TAX MATTERS**

8.1 *Tax Covenants*. The parties hereto hereby agree that the Surviving Company shall pay all transfer, documentary, sales, use, registration and similar Taxes not based on net income together with any related fees, penalties, interest and additions to such Taxes (including all applicable real estate transfer or gains Taxes and stock transfer Taxes), incurred in connection with the Mergers ( *Transfer Taxes* ). Each party shall use reasonable efforts to avail itself of any available exemptions from any Transfer Taxes, and shall cooperate with the other parties in a timely manner providing any information and documentation, including resale certificates, that may be necessary to obtain such exemptions.

8.2 *Cooperation*. CMA, the Company, MAQ and the Merger Subsidiary shall reasonably cooperate, and shall cause their respective affiliates, officers, employees, agents, auditors and representatives to reasonably cooperate, in preparing and filing all Tax Returns, including maintaining and making available to each other all

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records necessary in connection with Taxes, and in resolving all disputes and audits with respect to all taxable periods relating to Taxes.

8.3 *Coordination with Agreement.* In the event the provisions of this *ARTICLE VIII* conflict with any other provisions of this Agreement, this *ARTICLE VIII* shall exclusively govern all matters concerning Taxes.

**ARTICLE IX**

**TERMINATION**

9.1 *Termination.* This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written agreement of MAQ and CMA at any time;

(b) by either MAQ or CMA if the Mergers shall not have been consummated by August 31, 2008 (the *Termination Date* ) for any reason; *provided, however*, that each party's right to terminate this Agreement under this *Section 9.1(b)* shall not be available if the other party's action or failure to act has been a principal cause of or resulted in the failure of the Mergers to occur on or before the Termination Date and such action or failure to act constitutes a breach of this Agreement;

(c) by either MAQ, CMA or the Company if a Governmental Entity shall have issued an order, decree, judgment or ruling or taken any other action, in any case having the effect of permanently restraining, enjoining or otherwise prohibiting any of the Mergers which order, decree, ruling or other action is final and non-appealable;

(d) by the Company or CMA, (i) upon a material breach of any representation, warranty, covenant or agreement on the part of MAQ or the Merger Subsidiary set forth in this Agreement, or if any representation or warranty of MAQ shall have become untrue, in either case such that the conditions set forth in *ARTICLE VII* would not be satisfied as of the time of such breach or as of the time such representation or warranty shall have become untrue, *provided*, that if MAQ or the Merger Subsidiary, as applicable, proceed in its sole discretion to cure such breach prior to the Termination Date, then the Company or CMA may not terminate this Agreement under this *Section 9.1(d)* for thirty (30) calendar days after delivery of written notice from the Company to MAQ of such breach, *provided*, MAQ or the Merger Subsidiary continues to exercise commercially reasonable efforts to cure such breach and provides written evidence to the Company and CMA of its efforts (it being understood that the Company or CMA may not terminate this Agreement pursuant to this *Section 9.1(d)* if it shall have materially breached this Agreement or if such breach by MAQ or the Merger Subsidiary is cured during such thirty (30) calendar day period) or (ii) if MAQ's Board of Directors or management has withdrawn or changed its recommendation to the MAQ stockholders regarding the Mergers;

(e) by MAQ, upon a material breach of any representation, warranty, covenant or agreement on the part of the Company or CMA set forth in this Agreement, or if any representation or warranty of the Company or CMA shall have become untrue, in either case such that the conditions set forth in *ARTICLE VII* would not be satisfied as of the time of such breach or as of the time such representation or warranty shall have become untrue, *provided*, that if the Company or CMA proceed in its sole discretion to cure such breach prior to the Termination Date (including any material breach of the representations and warranties contained in Section 2.13), then MAQ may not terminate this Agreement under this *Section 9.1(e)* for thirty (30) calendar days after delivery of written notice from MAQ to the Company or CMA of such breach, *provided*, the Company and CMA continues to exercise commercially reasonable efforts to cure such breach and provides written evidence to MAQ of its efforts (it being understood that MAQ may not terminate this Agreement pursuant to this *Section 9.1(e)* if it shall have materially breached this Agreement or if such breach by the Company or CMA is cured during such thirty (30) calendar day period); or

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(f) by either MAQ, CMA or the Company, if, at the Special Meeting (including any adjournments thereof), this Agreement and the transactions contemplated thereby shall fail to have received the MAQ Stockholder Approval and the MAQ Warranholder Approval of this Agreement, or the holders of 20% or more of the number of shares of MAQ Common Stock issued in MAQ's initial public offering and outstanding as of the date of the record date of the Special Meeting exercise their rights to convert the shares of MAQ Common Stock held by them into cash in accordance with MAQ's certificate of incorporation (any shares with respect to which such conversion has been exercised, the *MAQ Dissenting Shares* ).

**9.2 Notice of Termination; Effect of Termination.** Any termination of this Agreement under Section 9.1 will be effective immediately upon (or, if the termination is pursuant to Section 9.1(d) or Section 9.1(e), and the proviso therein is applicable, thirty (30) calendar days after) the delivery of written notice of the terminating party to the other parties hereto. In the event of the termination of this Agreement as provided in Section 9.1, this Agreement shall be of no further force or effect, the Mergers shall be abandoned and there shall be no liability on the part of any of the parties, except for (i) Sections 6.7, 9.2 and 9.3, ARTICLE X (Defined Terms) and ARTICLE XI (General Provisions) shall survive the termination of this Agreement, and (ii) nothing herein shall relieve any party from liability for any willful breach hereof.

**9.3 Fees and Expenses.** Except as stated in Section 6.14 herein, all fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses.

**ARTICLE X****DEFINED TERMS**

Terms defined in this Agreement are organized alphabetically as follows, together with the Section and, where applicable, paragraph number in which definition of each such term is located:

| <b>Term</b>                    | <b>Section</b> |
|--------------------------------|----------------|
| Acquisition Proposal           | 5.2(b)         |
| Acquisition Transaction        | 5.2(a)         |
| Affiliate                      | 11.2           |
| Agent                          | 11.6(b)        |
| Agreement                      | Preamble       |
| Amended Charter Agreements     | Recitals       |
| AMEX                           | 2.5(b)         |
| Approvals                      | 2.1(a)         |
| Asset Purchase Agreement       | Recitals       |
| BCA                            | 1.1            |
| Broker Fees                    | 2.16           |
| Carve-out Financial Statements | 11.2           |
| Certificate of Merger          | 1.2            |
| Claim                          | 6.7            |
| Closing                        | 1.2            |
| Closing Date                   | 1.2            |
| CMA                            | Preamble       |
| CMA Representation Letter      | 6.16           |
| CMA/GSL Transaction Agreements | Recitals       |
| Code                           | 2.14           |
| Commitment                     | 11.2           |
| Common Shares                  | 11.2           |
| Company                        | Preamble       |

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| <b>Term</b>                     | <b>Section</b> |
|---------------------------------|----------------|
| Company Contracts               | 2.17(b)        |
| Company Financial Statements    | 11.2           |
| Company Plans                   | 2.11(a)        |
| Company/CMA Closing Certificate | 7.3(a)         |
| Confidential Information        | 6.13(b)        |
| Confidentiality Agreement       | 11.4           |
| Contract                        | 11.2           |
| Credit Facility                 | Recitals       |
| Delaware Law                    | 1.1            |
| Delaware Secretary              | 1.2            |
| Disbursement Amount             | 6.10           |
| Effective Time                  | 1.2            |
| Employee Benefit Plan           | 11.2           |
| Environmental Law               | 2.15           |
| Equity Interest                 | 11.2           |
| ERISA                           | 2.11(b)        |
| Exchange Act                    | 11.2           |
| Financial Statements            | 2.7(a)         |
| Foreign Corrupt Practices Act   | 2.6(b)         |
| Fundamental Documents           | 11.2           |
| Governmental Entity             | 11.2           |
| GSL Articles of Merger          | 1.2            |
| GSL Information                 | 11.2           |
| GSL Merger                      | 1.1            |
| Guaranty                        | 11.2           |
| Hazardous Materials             | 2.15           |
| Hedging Contracts               | 11.2           |
| HSR Act                         | 2.5(b)         |
| Indebtedness                    | 11.2           |
| Initial Cash Amount             | 1.5(b)         |
| ISM Code                        | 11.2           |
| ISPS Code                       | 11.2           |
| Legal Requirements              | 11.2           |
| Liabilities                     | 11.2           |
| Lien                            | 11.2           |
| MAQ                             | Preamble       |
| MAQ Closing Certificate         | 7.2(a)         |
| MAQ Common Stock                | 11.2           |
| MAQ Contracts                   | 4.16(a)        |
| MAQ Dissenting Shares           | 9.1(f)         |
| MAQ Information                 | 11.2           |
| MAQ Preferred Stock             | 4.3(a)         |
| MAQ Representation Letters      | 6.16           |
| MAQ SEC Reports                 | 4.7(b)         |
| MAQ Stockholder Approval        | 6.1(a)         |
| MAQ Warranholder Approval       | 6.1(a)         |
| MAQ Warrants                    | 11.2           |
| Maritime Guidelines             | 11.2           |
| Marshall Islands Registrar      | 1.2            |
| Material Adverse Effect         | 11.2           |
| Material Company Contracts      | 2.17(c)        |

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| <b>Term</b>                  | <b>Section</b> |
|------------------------------|----------------|
| Merger Subsidiary            | Preamble       |
| Merger Subsidiary Shares     | 4.3(a)         |
| Mergers                      | 1.1            |
| Migratory Articles of Merger | 1.2            |
| Migratory Merger             | 1.1            |
| MTSA                         | 11.2           |
| Order                        | 11.2           |
| Ordinary Course              | 11.2           |
| Person                       | 11.2           |
| Plan                         | 4.12           |
| Plans                        | 4.12           |
| Pre-Closing Tax Period       | 11.2           |
| Predecessor                  | 11.2           |
| Proceedings                  | 11.2           |
| Proxy/Registration Statement | 6.1(a)         |
| Public Disclosure            | 6.3            |
| Registration Statement       | 11.2           |
| Related Party                | 11.2           |
| Related Party Arrangement    | 11.2, 2.20     |
| Restated Articles            | Recitals       |
| SEC                          | 11.2           |
| Securities Act               | 11.2           |
| Special Meeting              | 6.1(a)         |
| Stockholders Agreement       | Recitals       |
| Subsidiary                   | 11.2           |
| Surviving Board              | 1.4(b)         |
| Surviving Company            | 1.1            |
| Tax                          | 2.14           |
| Tax Opinions                 | 6.16           |
| Tax Return                   | 11.2           |
| Taxes                        | 2.14           |
| Termination Date             | 9.1(b)         |
| Third Party                  | 5.2(a)         |
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| Transfer Taxes               | 8.1            |
| Trust Account Agreement      | 11.2           |
| Trust Fund                   | 11.2           |
| U.S. GAAP                    | 11.2           |
| Vessels                      | 2.13(a)        |

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**ARTICLE XI**

**GENERAL PROVISIONS**

11.1 *Notices.* All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by commercial delivery service, or sent via facsimile (receipt confirmed) to the parties at the following addresses or facsimile numbers (or at such other address or facsimile numbers for a party as shall be specified by like notice):

if to MAQ, the Merger Subsidiary or the Surviving Company, to:

c/o Marathon Acquisition Corp.  
500 Park Avenue, Fifth Floor  
New York, New York 10022  
Attention: Michael S. Gross  
Tel: (212) 993-1670  
Fax: (212) 993-1679

with a copy to:

Simpson Thacher & Bartlett LLP  
425 Lexington Avenue  
New York, New York 10017  
Attention: Gary L. Sellers, Esq.  
Edward J. Chung, Esq.  
Tel: (212) 455-2000  
Fax: (212) 455-2502

if to the Company, to:

Global Ship Lease, Inc.  
10 Greycoat Place  
London SW1P 1SB  
Attention: Ian J. Webber  
Tel: +44 (0) 20 7960 6340  
Fax: + 44 (0) 20 7960 6012

with a copy to:

Orrick, Herrington & Sutcliffe LLP  
666 Fifth Avenue  
New York, NY 10103  
Attention: Antonios C. Backos, Esq.  
Tel: (212) 506-5000  
Fax: (212) 506-5151

if to CMA, to:

CMA CGM S.A.  
4, quai d Arenc 13235  
Marseille cedex 02  
France  
Attention: Jean-Yves Schapiro  
Tel: + 33 (0) 4 88 91 90 00  
Fax: +33 (0) 4 88 91 83 77

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with a copy to:

Orrick, Herrington & Sutcliffe LLP  
666 Fifth Avenue  
New York, NY 10103  
Attention: Antonios C. Backos, Esq.  
Tel: (212) 506-5000  
Fax: (212) 506-5151

11.2 *Interpretation*. The definitions of the terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context shall require, any pronoun shall include the corresponding masculine, feminine and neuter forms. When a reference is made in this Agreement to an Exhibit or Schedule, such reference shall be to an Exhibit or Schedule to this Agreement unless otherwise indicated. When a reference is made in this Agreement to Sections or subsections, such reference shall be to a Section or subsection of this Agreement. Unless otherwise indicated the words include, includes and including when used herein shall be deemed in each case to be followed by the words without limitation. The words this Agreement, herein, hereof, hereby, hereunder and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. When reference is made herein to the business of an entity, such reference shall be deemed to include the business of all direct and indirect Subsidiaries of such entity. Reference to the Subsidiaries of an entity shall be deemed to include all direct and indirect Subsidiaries of such entity. For purposes of this Agreement, the following terms shall have the following meaning:

*Affiliate* means, as applied to any Person, any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with, such Person. For purposes of this definition, control (including with correlative meanings, the terms controlling, controlled by and under common control with ), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

*Carve-out Financial Statements* means, collectively, (a) the financial statements of the Predecessor (together with the notes thereto) and (b) the financial statements of the Delmas vessels (together with the notes thereto).

*Commitment* means (a) options, warrants, convertible securities, exchangeable securities, subscription rights, conversion rights, exchange rights, or other Contracts that could require a Person to issue any of its Equity Interests or to sell any Equity Interests it owns in another Person; (b) any other securities convertible into, exchangeable or exercisable for, or representing the right to subscribe for any Equity Interest of a Person or owned by a Person; (c) statutory pre-emptive rights or pre-emptive rights granted under a Person's Fundamental Documents; and (d) stock appreciation rights, phantom stock, profit participation, or other similar rights with respect to a Person.

*Common Shares* means shares of Class A Common Stock, Class B Common Stock and Class C Common Stock of the Surviving Company.

*Company Financial Statements* means the financial statements of the Company and its Subsidiaries.

*Contract* shall mean any written agreement, contract, subcontract, lease, binding understanding, instrument, note, option, warranty, purchase order, license, sublicense, insurance policy, benefit plan or commitment.

*Employee Benefit Plan* means each pension, profit sharing, retirement, severance, medical insurance, life insurance, welfare (including retiree welfare), disability, deferred compensation, stock purchase, stock option,

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stock-based award, employment, consulting, change-in-control, retention, fringe benefit, bonus or incentive agreement, program, policy or other arrangement, including any employee benefit plan (within the meaning of Section 3(3) of ERISA), whether or not subject to ERISA.

*Equity Interest* means (a) with respect to a corporation, any and all shares of capital stock and any Commitments with respect thereto, (b) with respect to a partnership, limited liability company, trust or similar Person, any and all units, interests or other partnership/limited liability company interests, and any Commitments with respect thereto and (c) with respect to the foregoing or any other Person, any other direct or indirect equity ownership or participation in such Person.

*Exchange Act* means the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder.

*Fundamental Documents* means the documents by which any Person (other than an individual) establishes its legal existence or which govern its internal affairs. For example, the Fundamental Documents of a corporation would be its certificate or articles of incorporation and bylaws, the Fundamental Documents of a limited liability company would be its certificate of formation and its operating agreement and the Fundamental Documents of a limited partnership would be its certificate of limited partnership and its partnership agreement.

*Governmental Entity* means any (i) region, state, county, municipality, city, town, village, district or other jurisdiction, (ii) federal, state, local, municipal, foreign or other government, (iii) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, self-regulatory organization or other entity and any court or other tribunal), (iv) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power of any nature (including the International Maritime Organization), (v) arbitral body or (vi) official of any of the foregoing.

*GSL Information* means information about the Company and its Subsidiaries reasonably sufficient to permit the preparation and filing with the SEC of the Proxy/Registration Statement or such other statement or report as may be required by the federal securities laws.

*Hedging Contracts* means, except as required by the terms of the Credit Facility, any interest rate swap agreement, interest cap agreement, interest collar agreement, interest hedging agreement, foreign exchange contract, currency swap agreement or any agreement designed to protect against fluctuations in currency values.

*Indebtedness* means with respect to any Person the aggregate amount (including the current portions thereof), without duplication, of all (a) indebtedness for money borrowed from others and purchase money indebtedness (other than accounts payable in the Ordinary Course to the extent that such accounts payable are not more than thirty (30) days past due); (b) indebtedness of the type described in clause (a) above guaranteed in any manner by such Person or in effect guaranteed, directly or indirectly, in any manner by such Person through an agreement, contingent or otherwise, to supply funds to, or in any other manner invest in, the debtor, or to purchase indebtedness, or to purchase and pay for property if not delivered or pay for services if not performed, primarily or exclusively, for the purpose of enabling the debtor to make payment of the indebtedness or to insure the owners of the indebtedness against loss (any such arrangement being hereinafter referred to as a *Guaranty*); (c) all indebtedness of the type described in clauses (a) and (b) above secured by any Lien upon property owned by such Person, even though it has not in any manner become liable for the payment of such indebtedness; (d) all obligations relating to or arising under Hedging Contracts, if any; and (e) obligations of such Person to pay rent or other amounts under any lease of (or other arrangement covering the right to use) real or personal property, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person, as of such date computed in accordance with U.S. GAAP.

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*ISM Code* means the International Safety Management Code of the Safe Operating Ships and for Pollution Prevention constituted pursuant to Resolution A 741(18) of the International Maritime Organization and incorporated in the Safety of Life at Sea Convention.

*ISPS Code* means the International Ship and Port Security Code of the International Maritime Organization, including any amendments and extensions of this code and any regulation taken in application of this code.

*Legal Requirements* means any federal, state, local, municipal, foreign, maritime, international, supranational or other law, statute, constitution, principle of common law, ordinance, code, edict, decree, rule, regulation, ruling, convention, agreement or requirement enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Entity (including any Maritime Guidelines).

*Liabilities* means all liabilities, whether secured or unsecured, accrued, contingent, known, absolute, inchoate or otherwise.

*Lien* means any mortgage, pledge, security interest, encumbrance, lien, pledge, option, restriction on transfer of title or voting, right of first refusal/offer, preemptive right, easement, servitude, right of way, community property interest, equitable interest, or other restriction or charge of any kind (including any title retention agreement or lease in the nature thereof, any sale with recourse against the seller or any affiliate of the seller, or any agreement to give any security interest), whether or not relating to the extension of credit or the borrowing of money, whether imposed by Contract, Legal Requirement, equity or otherwise, except for any restrictions on transfer generally arising under any applicable federal or state securities laws.

*MAQ Common Stock* means the common stock, par value US\$0.0001 per share, of MAQ.

*MAQ Information* means information about MAQ and the Merger Subsidiary reasonably sufficient to permit the preparation and filing with the SEC of the Proxy/Registration Statement or such other statement or report as may be required by the federal securities laws.

*MAQ Warrants* means the warrants issued by MAQ in connection with the IPO.

*Maritime Guidelines* means any United States, international or non-United States (including the Marshall Islands and France) rule, requirement or restriction concerning or relating to a Vessel, and to which a Vessel is subject and required to comply with, imposed or promulgated by any Governmental Entity, such as Vessel's classification society or the insurer(s) of such Vessel.

*Material Adverse Effect* when used in connection with an entity means any change, event, circumstance or effect, individually or when aggregated with other changes, events, circumstances or effects, that would either (a) have a material adverse effect on (i) the business, properties (including the Vessels), financial condition, or results of operations of such entity (or, in the case of the Company, the Predecessor) and its Subsidiaries taken as a whole, (ii) the validity of this Agreement or any Transaction Agreement or (iii) the ability of any party to perform under this Agreement or any Transaction Agreement, or (b) prevent or materially interfere with the consummation of the transactions contemplated by this Agreement or any Transaction Agreement; provided that none of the following shall be deemed to constitute, and none of the following shall be taken into account in determining whether there has been, a Material Adverse Effect: any change, event, circumstance or effect arising from or relating to (1) general business, economic or industry conditions, (2) national or international political or social conditions, including the engagement by the United States or the United Kingdom in hostilities, whether or not pursuant to the declaration of a national emergency or war, (3) changes in U.S. GAAP, (4) changes in Legal Requirements, or (5) the taking of any action required by this Agreement or any Transaction Agreement, except, in the case of subclauses (1), (2), (3) and (4), for purposes of determining the amount of material adversity in subclause (a), to the extent such change, event, circumstance or effect has a disproportionate adverse effect on the entity as compared to other Persons engaged in the same industry.

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*MTSA* means the Maritime Transportation Security Act of 2002.

*Order* means any order by, before, or under the supervision of any Governmental Entity, arbitrator, or mediator.

*Ordinary Course* means the ordinary course of business consistent with past practice.

*Person* means any individual, corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any limited liability company or joint stock company), firm or other enterprise, association, organization, entity or Governmental Entity.

*Pre-Closing Tax Period* means any taxable period ending on or before the Closing Date or, with respect to the portion of such period that ends on the Closing Date, any taxable period that includes (but does not end on) such date.

*Predecessor* means the predecessor to the Company contemplated in the Carve-out Financial Statements.

*Proceedings* means actions, suits, claims and investigations and legal, administrative or arbitration proceedings.

*Registration Statement* means the registration statement of the Company, as filed on November 13, 2007 with the SEC on Form F-1 (File No. 333-147070), as amended through Amendment #3.

*Related Party* means an officer, director, manager, employee, Affiliate or shareholder of the Company or any of its Subsidiaries.

*Related Party Arrangement* shall have the meaning given to it in *Sections 2.20* or *3.4*, as applicable.

*SEC* means the U.S. Securities and Exchange Commission.

*Securities Act* means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

*Subsidiary* means with respect to any Person, any other Person, an amount of the voting securities, other voting rights or voting partnership interests of which is sufficient to elect at least a majority of the second Person's Board of Directors or other governing body (or, if there are no such voting interests, 50% or more of the equity interests of which is owned directly or indirectly by such first Person.)

*Tax Return* means any return, report, statement, form or other documentation (including any additional or supporting material and any amendments or supplements) filed with respect to or in connection with the calculation, determination, assessment or collection of any Taxes, including, without limitation, any information return, claim for refund, amended return or declaration of estimated tax.

*Trust Account Agreement* means the trust account agreement between MAQ and The Bank of New York, dated August 30, 2006.

*Trust Fund* means the MAQ's trust account at The Bank of New York with The Bank of New York, acting as Trustee.

*U.S. GAAP* means generally accepted accounting principles of the United States.

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**11.3 Counterparts; Facsimile Signatures.** This Agreement and each other document executed in connection with the transactions contemplated hereby, and the consummation thereof, may be executed in one or more counterparts, all of which shall be considered one and the same document and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart. Delivery by facsimile to counsel for the other party of a counterpart executed by a party shall be deemed to meet the requirements of the previous sentence.

**11.4 Entire Agreement; Third Party Beneficiaries.** This Agreement and the documents and instruments and other agreements among the parties hereto as contemplated by or referred to herein, including the Exhibits and Schedules hereto (a) except as provided in the following sentence, constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, and (b) are not intended to confer upon any other person any rights or remedies hereunder. All of the confidentiality obligations, agreements and covenants under paragraphs 3 and 5 of that certain Letter of Intent, dated February 24, 2008, between MAQ and CMA (the *Confidentiality Agreement* ) shall survive the termination of this Agreement without any modification thereof, *provided*, that to the extent there is a conflict between the provisions of the Confidentiality Agreement and the provisions of this Agreement, this Agreement shall prevail to that extent.

**11.5 Severability.** In the event that any provision of this Agreement, or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision.

### **11.6 Jurisdiction; Enforcement.**

(a) The parties agree that irreparable damage would occur if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement exclusively in Court of Chancery in the State of Delaware, or if (but only if) that court does not have subject matter jurisdiction over such action or proceeding, in the United States District Court for the District of Delaware. In addition, each of the parties hereto irrevocably agrees that any legal action or proceeding with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by the other party hereto or its successors or assigns, shall be brought and determined exclusively in the Court of Chancery in the State of Delaware, or if (but only if) that court does not have subject matter jurisdiction over such action or proceeding, in the United States District Court for the District of Delaware. Each of the parties hereto hereby irrevocably submits with regard to any such action or proceeding for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the aforesaid courts and to accept service of process in any manner permitted by such courts. Each of the parties hereto hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement, (a) any claim that it is not personally subject to the jurisdiction of the above named courts for any reason other than the failure to lawfully serve process, (b) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) to the fullest extent permitted by the applicable law, any claim that (i) the Proceeding in such court is brought in an inconvenient forum, (ii) the venue of such Proceeding is improper or (iii) this Agreement, or the subject matter of this Agreement, may not be enforced in or by such courts.

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(b) By its execution and delivery of this Agreement, each of CMA and the Company (i) irrevocably designates and appoints CMA CGM (America) LLC (the *Agent* ) as its authorized agent upon which process may be served in any Proceeding arising out of or relating to this Agreement or any Transaction Agreement and (ii) agrees that service of process upon the agent shall be deemed, in every respect, effective service of process upon CMA or the Company, as applicable, in any such Proceeding. Each of CMA and the Company further agrees, at its own expense, to take any and all action, including the execution and filing of any and all such documents and instruments, as may be necessary to continue such designation and appointment of the Agent in full force and effect. The foregoing shall not limit the rights of any party to serve process in any other manner permitted by law.

11.7 *Governing Law.* This Agreement shall be governed by and construed in accordance with the Law of the State of New York, without giving effect to any choice or conflict of Law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

11.8 *Rules of Construction.* The parties hereto agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any Legal Requirement or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

11.9 *Assignment.* No party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other parties. Subject to the first sentence of this *Section 11.9*, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

11.10 *Amendment.* This Agreement may be amended by the parties hereto at any time by execution of an instrument in writing signed on behalf of each of the parties; *provided, however*, that after adoption of this Agreement by the stockholders of MAQ, no amendment shall be made, that by Legal Requirement requires further approval by the stockholders, without such further approval.

11.11 *Independence of Covenants and Representations and Warranties.* All covenants hereunder shall be given independent effect so that if a certain action or condition constitutes a default under a certain covenant, the fact that such action or condition is permitted by another covenant shall not affect the occurrence of such default, unless expressly permitted under an exception to such initial covenant. In addition, all representations and warranties hereunder shall be given independent effect so that if a particular representation or warranty proves to be incorrect or is breached, the fact that another representation or warranty concerning the same or similar subject matter is correct or is not breached will not affect the incorrectness of or a breach of a representation and warranty hereunder.

11.12 *Extension; Waiver.* At any time prior to the Closing, any party hereto may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties made to such party contained herein or in any document delivered pursuant hereto and (iii) waive compliance with any of the agreements or conditions for the benefit of such party contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. Delay in exercising any right under this Agreement shall not constitute a waiver of such right.

11.13 *WAIVER OF JURY TRIAL.* EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

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11.14 *Nonsurvival of Representations and Warranties.* None of the representations and warranties or covenants contained in this Agreement shall survive the Effective Time, except those covenants set forth in *Sections 6.7, 6.8, 6.12, 6.13, 6.14, 9.2 and 9.3* and in *Articles VIII, X and XI* which shall survive after the Effective Time.

**[The remainder of this page has been intentionally left blank.]**

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

**MARATHON ACQUISITION CORP.**

By: /s/ MICHAEL GROSS  
Name: Michael Gross  
Title: Chairman and CEO

**GSL HOLDINGS, INC.**

By: /s/ BRIAN GERSON  
Name: Brian Gerson  
Title: Vice President and Treasurer

**CMA CGM S.A.**

By: /s/ JEAN-YVES SCHAPIRO  
Name: Jean-Yves Schapiro  
Title: Executive Vice President, Finance & Control

**GLOBAL SHIP LEASE, INC.**

By: /s/ IAN J. WEBBER  
Name: Ian J. Webber  
Title: CEO

**GLOBAL SHIP LEASE, INC.**

By: /s/ SERGE CORBEL  
Name: Serge Corbel  
Title: Authorized Signatory

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**Appendix B**

**Jefferies & Company, Inc**

520 Madison Avenue

New York, NY 10022

Tel 212.284.2550

Fax 212.284.2111

www.jefferies.com

March 21, 2008

Board of Directors

Marathon Acquisition Corp.

500 Park Avenue, Fifth Floor

New York, New York 10022

Members of the Board:

We understand that Marathon Acquisition Corp. ( Parent ) has proposed to enter into an Agreement and Plan of Merger (the Merger Agreement ), with GSL Holdings, Inc., a Marshall Islands corporation and a wholly owned subsidiary of Parent ( MergerSub ), CMA CGM S.A., a *société anonyme* organized under the laws of France (the Stockholder ), and Global Ship Lease, Inc., a Marshall Islands corporation and a wholly owned subsidiary of Stockholder (the Company ). Pursuant to the Merger Agreement, (i) Parent will merge (the First Merger ) with and into Merger Sub (after the First Merger, the Surviving Corporation ) and each share of common stock of Parent ( Parent Common Stock ) will be converted into one share of Class A Common Stock of the Surviving Corporation, other than a certain proportion of Parent Common Stock held by the Founders (as defined below), which will be converted into an aggregate of 4,375,000 shares of Class A Common Stock of the Surviving Corporation, and 5,000,000 shares of Class B Common Stock of the Surviving Corporation on a pro rata basis based on the shareholdings of Parent Common Stock held by each of the Founders as of the final date of the Merger Agreement, and (ii) the Company will merge (the Second Merger ) and, together with the First Merger, the Mergers ) with and into the Surviving Corporation and the Stockholder will receive \$66,570,135 in cash, 7,844,600 shares of the Class A Common Stock of the Surviving Corporation, 5,000,000 shares of the Class B Common Stock of the Surviving Corporation and 12,375,000 shares of the Class C Common Stock of the Surviving Corporation (collectively, the Merger Consideration ). For the purposes of this letter, Founders means Marathon Founders, LLC and each of the outside directors of Parent.

In addition, we understand that as a condition to the closing of the Mergers, the Stockholder and the Company will enter into a Second Amended and Restated Asset Purchase Agreement (the Asset Purchase Agreement ) and, together with the Merger Agreement, the Transaction Agreements ), pursuant to which the Surviving Corporation will purchase five vessels from the Stockholder (the Asset Purchase ) and, together with the Mergers, the Transaction ) and the Stockholder will receive \$338,000,000 in cash (the Asset Purchase Consideration ) and, together with the Merger Consideration, the Consideration ). The terms and conditions of the Transaction are more fully set forth in the Transaction Agreements. For purposes of this opinion letter, the Consideration to be paid to Stockholder will be deemed to have been paid by Parent.

You have asked for our opinion as to whether (i) the Consideration to be paid by Parent pursuant to the Transaction is fair, from a financial point of view, to Parent, and (ii) the fair market value of the Company, assuming the closing of the Transaction, is at least equal to 80% of the amount in the Parent's Trust Account, as defined in the Merger Agreement, excluding any amount that is or will be due and payable as deferred underwriting discounts and commissions pursuant to the terms and conditions of the underwriting agreement

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entered into in connection with initial public offering of Parent Common Stock (as adjusted, the Trust Account Assets ).

In arriving at our opinion, we have also, among other things:

- (i) reviewed the final Merger Agreement, dated March 21, 2008;
- (ii) reviewed the final Asset Purchase Agreement, dated March 21, 2008;
- (iii) reviewed certain publicly available financial and other information about Parent and the Company;
- (iv) reviewed certain information furnished to us by the Company's management, including historical financial information and financial forecasts and analyses relating to the business, operations and prospects of the Company;
- (v) held discussions with members of senior management of Parent and the Company concerning the matters described in clauses (iii) and (iv) above;
- (vi) reviewed the share trading price history for Parent Common Stock for the period ending March 14, 2008, and considered the liquidation value per share as of February 29, 2008 as provided by Parent;
- (vii) reviewed the valuation multiples for certain publicly traded companies that we deemed relevant;
- (viii) compared the proposed financial terms of the Transaction with the financial terms of certain other transactions that we deemed relevant;
- (ix) reviewed and compared the net asset value of the Parent to the indicated fair market value of the Company; and
- (x) conducted such other financial studies, analyses and investigations as we deemed appropriate.

In our review and analysis and in rendering this opinion, we have assumed and relied upon, but have not independently investigated or verified, the accuracy and completeness of all financial and other information that was supplied or otherwise made available to us by Parent and the Company or that was publicly available (including, without limitation, the information described above), or that was otherwise reviewed by us. In our review, we did not obtain any independent evaluation or appraisal of any of the assets or liabilities of, nor did we conduct a physical inspection of any of the properties or facilities of, Parent or the Company, nor have we been furnished with any such evaluations or appraisals of such physical inspections, nor do we assume any responsibility to obtain any such evaluations or appraisals.

With respect to the financial forecasts provided to and examined by us, we note that projecting future results of any company is inherently subject to uncertainty. The Company has informed us, however, and we have assumed, that such financial forecasts were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of the Company as to the future financial performance of the Company, and we have relied solely upon such financial forecasts prepared by the management of the Company. We express no opinion as to the Company's financial forecasts or the assumptions on which they are made.

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Our opinion is based on economic, monetary, regulatory, market and other conditions existing and which can be evaluated as of the date hereof. We expressly disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting our opinion of which we become aware after the date hereof.

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We have made no independent investigation of any legal or accounting matters affecting Parent or the Company, and we have assumed the correctness in all respects material to our analysis of all legal and accounting advice given to Parent and its Board of Directors, including, without limitation, advice as to the legal, accounting and tax consequences of the terms of, and transactions contemplated by, the Agreements to Parent and its stockholders. We have assumed that in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the Transaction, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on Parent, the Company or the contemplated benefits of the Transaction.

In addition, we were not requested to and did not provide advice concerning the structure, the specific amount of the Consideration, or any other aspects of the Transaction. We did not participate in negotiations with respect to the terms of the Transaction and related transactions. Consequently, we have assumed that such terms are the most beneficial terms from Parent's perspective that could under the circumstances be negotiated among the parties to such transactions, and no opinion is expressed whether any alternative transaction might result in terms and conditions more favorable to Parent or its stockholders than those contemplated by the Transaction Agreements.

It is understood that our opinion is for the use and benefit of the Board of Directors of Parent in its consideration of the Transaction, and our opinion does not address the relative merits of the transactions contemplated by the Agreements as compared to any alternative transaction or opportunity that might be available to Parent, nor does it address the underlying business decision by Parent to engage in the Transaction. Our opinion does not constitute a recommendation as to how any holder of shares of Parent Common Stock should vote on the Transaction or any matter related thereto. In addition, you have not asked us to address, and this opinion does not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of the Transaction; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of Parent or the Company, or class of such persons in connection with the Transaction, whether relative to the Consideration to be paid by Parent pursuant to the Agreements or otherwise. We express no opinion as to the price at which shares of the Surviving Corporation or Parent Common Stock will trade at any time. This opinion has been approved by a fairness committee of Jefferies & Company, Inc.

We have been engaged by Parent in connection with the delivery of this opinion and will receive a fee for our services, a portion of which is payable upon the delivery of our opinion and the balance of which is payable upon the consummation of the Mergers. We also will be reimbursed for expenses incurred. Parent has agreed to indemnify us against liabilities arising out of or in connection with the services rendered and to be rendered by us under such engagement. In the ordinary course of our business, we and our affiliates may trade or hold securities of Parent for our own account and for the accounts of our customers and, accordingly, may at any time hold long or short positions in those securities. In addition, we may seek to, in the future, provide financial advisory and financing services to Parent, the Company or entities that are affiliated with Parent or the Company, for which we would expect to receive compensation. Except as otherwise expressly provided in our engagement letter with Parent, our opinion may not be used or referred to by Parent, or quoted or disclosed to any person in any manner, without our prior written consent.

Based upon and subject to the foregoing, we are of the opinion that, as of the date hereof, (i) the Consideration to be paid by Parent pursuant to the Transaction is fair, from a financial point of view, to Parent, and (ii) the fair market value of the Company is at least equal to 80% of the Trust Account Assets.

Very truly yours,

/s/ Jefferies & Company, Inc.

JEFFERIES & COMPANY, INC.