

Global Ship Lease, Inc.
Form 20-F
May 18, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2009

OR

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

OR

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

Date of event requiring this shell company report

For the transition period from _____ to _____

Commission file number 1-34153

Global Ship Lease, Inc.

(Exact name of Registrant as specified in its charter)

Republic of The Marshall Islands

(Jurisdiction of incorporation or organization)

c/o Portland House

Stag Place

London SW1E 5RS

United Kingdom

(Address of principal executive offices)

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

Title of each class	Name of each exchange on which registered
Class A Common Shares, par value of \$0.01 per share	New York Stock Exchange
Warrants	New York Stock Exchange
Units	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

46,830,467 Class A Common Shares, par value of \$0.01 per share

7,405,956 Class B Common Shares, par value of \$0.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

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

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

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

U.S. GAAP ☒ International Financial Reporting Standards as Issued by the International Accounting Standards Board ☐ Other ☐

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

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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PART I

This Annual Report contains forward-looking statements. Forward-looking statements provide Global Ship Lease's current expectations or forecasts of future events. Forward-looking statements include statements about Global Ship Lease's expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Words or phrases such as anticipate, believe, continue, estimate, expect, intend, may, ongoing, plan, potential, predict, project, will or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. Examples of forward-looking statements in this Annual Report include, but are not limited to, statements regarding Global Ship Lease's disclosure concerning its operations, cash flows, financial position, dividend policy and likelihood of success in acquiring additional vessels to expand its business.

Forward-looking statements appear in a number of places in this Annual Report including, without limitation, in the sections entitled Business Overview, Management's Discussion and Analysis of Financial Conditions and Operations, and Dividend Policy. The risks and uncertainties include, but are not limited to:

future operating or financial results;

expectations regarding the future growth of the container shipping industry, including the rates of annual demand and supply growth;

the financial condition of CMA CGM, our charterer and sole source of operating revenue, and its ability to pay charterhire in accordance with the charters;

Global Ship Lease's financial condition and liquidity, including its ability to obtain additional waivers which might be necessary under the existing credit facility or obtain additional financing to fund capital expenditures, contracted and yet to be contracted vessel acquisitions including the two newbuildings to be purchased from German interests in the fourth quarter of 2010, and other general corporate purposes;

Global Ship Lease's ability to meet its financial covenants and repay its credit facility;

Global Ship Lease's expectations relating to dividend payments and forecasts of its ability to make such payments including the availability of cash and the impact of constraints under its credit facility;

future acquisitions, business strategy and expected capital spending;

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

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

assumptions regarding interest rates and inflation;

changes in the rate of growth of global and various regional economies;

risks incidental to vessel operation, including piracy, discharge of pollutants and vessel accidents and damage including total or constructive total loss;

estimated future capital expenditures needed to preserve its capital base;

Global Ship Lease's expectations about the availability of ships to purchase, the time that it may take to construct new ships, or the useful lives of its ships;

Global Ship Lease's continued ability to enter into or renew long-term, fixed-rate charters;

the continued performance of existing long-term, fixed-rate time charters;

Global Ship Lease's ability to capitalize on its management team's and board of directors' relationships and reputations in the containership industry to its advantage;

changes in governmental and classification societies' rules and regulations or actions taken by regulatory authorities;

expectations about the availability of insurance on commercially reasonable terms;

unanticipated changes in laws and regulations including taxation;

potential liability from future litigation; and

other factors discussed in Risk Factors.

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Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Global Ship Lease's actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the factors described in "Risk Factors" in this Annual Report. Accordingly, you should not unduly rely on these forward-looking statements, which speak only as of the date of this Annual Report. Global Ship Lease undertakes no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this Annual Report or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks Global Ship Lease describes in the reports it will file from time to time with the Securities and Exchange Commission, or SEC, after the date of this Annual Report.

Unless the context otherwise requires, references to "the company", "we", "us" or "our" refers to Global Ship Lease, Inc.; "CMA CGM" refers to CMA CGM S.A., "initial Charterer" refers to CMA CGM in its capacity as a charterer of our vessels; and "Ship Manager" refers to CMA Ships, a wholly-owned subsidiary of CMA CGM and our current ship manager.

For the definition of certain terms used in this Annual Report, please see "Glossary of Shipping Terms" at the end of this Annual Report.

Unless otherwise indicated, all references to "\$" and "dollars" in this Annual Report are in United States dollars. We use the term "TEU", meaning twenty-foot equivalent unit, the international standard measure of container size, in describing volumes in world container trade and other measures, including the capacity of Global Ship Lease's container ships, which we also refer to as vessels. Unless otherwise indicated, we calculate the average age of Global Ship Lease's vessels on a weighted average basis, based on TEU capacity.

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

You should read the information set forth below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" 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 Annual Report.

This selected historical combined financial and operating information gives effect to the Merger as at August 14, 2008 and consequently the combined financial statements up to December 31, 2009 include two distinct reporting periods (i) January 1, 2004 through August 14, 2008 ("Predecessor") and (ii) August 15, 2008 through December 31, 2009 ("Successor"), which relate to the period preceding the Merger and the period succeeding the Merger, respectively. Further, the company derived all of its revenue in 2009 and virtually all of its revenue in 2008 from chartering out its vessels under its continuing business of long-term fixed rate time charters whereas for periods before 2008, under predecessor accounting rules, it earned virtually all of its revenue from carrying containerized cargo. Global Ship Lease uses the term "Predecessor Group" to mean the container shipping services provided by the 10 secondhand vessels, which it purchased in December 2007, and two newly built vessels, which it purchased in January 2008, 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.

There are significant differences between Global Ship Lease's business after the acquisition of its initial fleet in December 2007 and January 2008, when it started its time charter business, and the business of Global Ship Lease's Predecessor Group when the vessels earned revenue from carrying cargo for customers. Accordingly, the selected historical combined financial data prior to January 2008, 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 ship-owning company earning charterhire or of Global Ship Lease's future results.

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The combined financial statements for the Successor period reflect the acquisition of Global Ship Lease, Inc., as a result of the Merger, under the purchase method of accounting. The results of the Successor are not comparable to the results of the Predecessor due to the difference in the basis of presentation under purchase accounting as compared to historical cost and due to the changes in capital and legal structure following the Merger including the company becoming listed on the New York Stock Exchange.

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The historical selected combined financial data as of December 31, 2009, 2008 and 2007 and for each of the years then ended (2008 including two distinct reporting periods before and after the Merger) together with such information for the years ended December 31, 2006 and 2005 have been derived from audited combined financial statements of Global Ship Lease, Inc. The historical selected combined financial data as of December 31, 2006 and 2005 is derived from carve-out information of the Predecessor Group prepared by management of CMA CGM. Certain financial information has been rounded, and, as a result, certain totals shown in this Annual Report may not equal the arithmetic sum of the figures that should otherwise aggregate to those totals.

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This selected financial 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 Annual Report.

GLOBAL SHIP LEASE, INC.

	2009	August 15 to December 31 2008	January 1 to August 14 2008	2007	2006	2005
	Successor	Successor	Predecessor	Predecessor	Predecessor	Predecessor
(in millions of U.S. dollars, except per share data)						
Statement of Income						
Operating revenues:						
Freight revenue (1)	\$	\$	\$ 2.1	\$ 332.2	\$ 299.6	\$ 111.6
Time charter revenue (2)	148.7	39.1	55.9	2.9		
Operating expenses:						
Voyage expenses (3)			(1.9)	(249.5)	(213.1)	(70.2)
Vessel expenses	(41.4)	(11.9)	(18.1)	(24.0)	(22.6)	(13.7)
Depreciation	(37.3)	(8.7)	(12.2)	(16.1)	(16.7)	(7.2)
General and administrative (4)	(8.7)	(3.7)	(3.8)	(17.8)	(11.3)	(2.7)
Other operating income / (expense)	0.4	0.1	(0.1)	2.3	11.9	(2.5)
Total operating expenses	(87.0)	(24.2)	(36.1)	(304.9)	(251.9)	(96.2)
Operating income	61.7	14.9	21.9	30.2	47.7	15.4
Non operating income/ (expense)						
Interest income	0.5	0.4	0.4	0.2		
Interest expense	(24.2)	(3.8)	(17.6)	(13.6)	(15.1)	(6.4)
Realized and unrealized gain on interest rate derivatives	4.8	(55.3)	2.7			
Income before income taxes	42.8	(43.9)	7.4	16.8	32.7	9.0
Taxes on income	(0.4)	(0.1)				
Net income (loss)	\$ 42.4	\$ (44.0)	\$ 7.4	\$ 16.8	\$ 32.7	\$ 9.0
Net income per share in thousand \$ per share						
Basic and diluted (5)	n.a.	n.a.	74	168	327	90
Weighted average number of common shares outstanding						
Basic and diluted	n.a.	n.a.	100	100	100	100
Net income (loss) per Class A common share in \$						
Basic and diluted (5)	0.91	(1.30)	n.a.	n.a.	n.a.	n.a.
Weighted average number of Class A common shares outstanding						
Basic in millions	46.5	33.8	n.a.	n.a.	n.a.	n.a.
Diluted in millions	46.8	33.8	n.a.	n.a.	n.a.	n.a.
Net (loss) per Class B common share in \$						
Basic and diluted	Nil	Nil	n.a.	n.a.	n.a.	n.a.
Weighted average number of Class B common shares outstanding						
Basic and diluted in millions	7.4	7.4	n.a.	n.a.	n.a.	n.a.
Statement of cash flow						
Net cash from operating activities	\$ 72.9	\$ 14.0	\$ 20.7	\$ 56.6	\$ 22.8	\$ 17.4

Balance sheet data (at period end)

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Total current assets	44.2	32.9	n/a	192.9	32.1	11.2
Total vessels	961.7	906.9	n/a	475.3	286.2	177.8
Total assets	1,027.4	966.6	n/a	674.6	344.5	203.0
Long-term debt (current and non-current portion)	588.2	542.1	n/a	401.1	139.2	109.9
Shareholder loan (6)			n/a	176.9		

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	2009	August 15 to December 31 2008	January 1 to August 14 2008	2007	2006	2005
	Successor	Successor	Predecessor	Predecessor	Predecessor	Predecessor
(in millions of U.S. dollars, except per share data)						
Preferred shares	48.0	48.0				
Stockholders' equity	327.6	295.0	n.a.	87.5	170.0	18.4
Other data (time charter business)						
Number of vessels in operation at period end	17	16	12	10	n.a.	n.a.
Ownership days	5,968	1,717	2,699	159	n.a.	n.a.
Utilization (7)	98.8%	100%	98%	99%	n.a.	n.a.

- (1) This line item reports revenue earned by the Predecessor Group from 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 in the predecessor period prior to the Merger. Subsequent to the completion of the Merger, Global Ship Lease has incurred 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 and incurred in the predecessor period do not purport to be indicative of future expenses.
- (5) The weighted average number of shares outstanding of Global Ship Lease as of June 30, 2008 has been used for purposes of computing earnings per share for all presented prior periods.
- (6) Amounts due to the former shareholder were not assumed by Global Ship Lease following completion of the Merger.
- (7) Utilization is used to measure our efficiency in operating the fleet and is calculated by dividing the total number of operating days by the total number of ownership days, with the result expressed as a percentage. Operating days represent the number of days in the period that the vessels were available and were not off-hire for any reason, including scheduled dry-dockings, breakdowns or repairs. Ownership days represent the number of days in the period that we owned the relevant vessels. These data are non-GAAP statistical measures used by management to assess operating performance and are not included in combined financial statements prepared under U.S. GAAP.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors**Risks Related to Our Business****Global Ship Lease is highly dependent on charter payments from CMA CGM.**

All of Global Ship Lease's vessels in its fleet are chartered to its initial Charterer, CMA CGM. The initial Charterer's payments to Global Ship Lease under the charters are currently its sole source of revenue. Global Ship Lease is highly dependent on the performance by the initial Charterer of its obligation under the charters. The container shipping industry has suffered a significant cyclical downturn with a substantial amount of excess ship capacity and many container shipping companies, including CMA CGM, have reported substantial losses in 2009. Further, CMA CGM announced in September 2009 that CMA CGM and its lenders are exploring a potential financial restructuring to address its short and medium term financing requirements and that CMA CGM is seeking to reduce and in some cases cancel certain ship deliveries. Global Ship Lease is not involved in these discussions and it is not possible to predict the outcome of these discussions. In addition, Global Ship Lease has experienced delays in receiving charterhire payments from the initial Charterer, where between one and three instalments have been outstanding, which under the charter contracts are due to be paid every 15 days in advance. If the initial Charterer ceases doing business or fails

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to perform its obligations under Global Ship Lease's charters, Global Ship Lease's business, financial position and results of operations would be materially adversely affected as it is probable that, even if the company was able to find replacement charters, such replacement charters would be at significantly lower daily rates and shorter durations. If such events occur, there would be significant uncertainty about Global Ship Lease's ability to continue as a going concern.

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Global Ship Lease's credit facility contains restrictive covenants including a maximum leverage ratio based on borrowings under the credit facility expressed as a percentage of charter-free market value of its secured vessels. As a result of an amendment to the credit facility effective as of August 20, 2009 (the "Credit Facility Amendment"), regular testing of the leverage ratio covenant has been suspended effectively until April 30, 2011 and prepayment of outstanding borrowings commencing November 30, 2009 is required. If the leverage ratio tested as of April 30, 2011, or earlier in certain circumstances set forth in the credit facility, exceeds the permitted level, or if the company fails to meet the minimum scheduled prepayments, the lenders under the credit facility may require the company to make a prepayment of the borrowings or provide additional security, which would likely cause a default under the credit facility and which would raise substantial doubt about the company's ability to continue as a going concern.

Global Ship Lease entered into its current credit facility with Fortis Bank (Nederland) N.V. (the "Agent"), Citibank Global Markets Limited, HSH Nordbank AG, Sumitomo Mitsui Banking Corporation, Brussels Branch, KfW, DnB Nor Bank ASA and Bank of Scotland in order to acquire its current fleet, additional vessels and fund working capital, among other things. As of December 31, 2008, outstanding borrowings under the credit facility were \$542.1 million. Subsequently, the company borrowed an additional \$57.0 million under the credit facility to partially finance the purchase of the *CMA CGM Berlioz*. The credit facility contains restrictive covenants including minimum cash, minimum net worth, minimum EBITDA to debt service, maximum net debt to total capital and maximum leverage ratio, which is the ratio of borrowings under credit facility to the charter-free market value of security posted. If Global Ship Lease exceeds the maximum permitted leverage ratio of 75%, the Agent may require a prepayment of borrowings or the delivery of additional security to the extent necessary to reduce the leverage ratio to 75%.

Due to the global economic downturn and significantly reduced demand for container shipping services and containerships, combined with continued delivery of newbuildings, containership values have experienced dramatic declines since mid 2008. Purchase and sale transactions in the containership market have been very limited, confined primarily to small vessels and, in instances where such transactions have been completed, the prices have been significantly lower than comparable transactions in the past. No newbuilding orders have been placed for many months and many ship brokers have not been providing certificates of market value due to the disrupted market.

Due to the possibility that Global Ship Lease could exceed the maximum permitted leverage ratio under the credit facility as a result of the declines in charter-free market values of its vessels, Global Ship Lease's lenders agreed to enter into the Credit Facility Amendment. Under the Credit Facility Amendment, the maximum 75% leverage ratio will not apply until the leverage ratio is first tested after the expiration of the waiver period which is up to and including November 30, 2010. Consequently the first such test is scheduled to be as of April 30, 2011. In addition, and in connection with the purchase of the *CMA CGM Berlioz* for \$82.0 million, which was completed in August 2009, the Credit Facility Amendment permitted drawings of up to \$42.0 million under the main credit facility and up to an additional \$20.0 million as a newly created Over Advance Portion. In August, \$42.0 million was drawn under the main credit facility and \$15.0 million was drawn under the Over Advance Portion. The \$25.0 million balance of the purchase price was met from available cash. The Credit Facility Amendment provides that borrowings under the Over Advance Portion will be paid quarterly commencing November 2009 with free cash in excess of \$20.0 million determined as of the previous month end. The Over Advance Portion is required to be fully prepaid by June 30, 2010. The credit facility will be repaid quarterly commencing June 30, 2010 with free cash in excess of \$20.0 million determined as of the previous month end, subject to a minimum \$40.0 million prepayment per rolling four-quarters as long as the leverage ratio is, or is deemed to be, over 75%. When the leverage ratio becomes 75% or less, scheduled repayments will be set at \$10.0 million per quarter.

If the leverage ratio at the next test date scheduled for April 30, 2011 exceeds 75% or if the company fails to meet its scheduled prepayments under the credit facility or is otherwise in potential default under the credit facility, and if a further amendment to or waiver under the credit facility or other relief is not obtained, the Agent may require a prepayment of borrowings or the delivery of additional security. In such an event, Global Ship Lease is likely to go into default under the credit facility, which would raise substantial doubt about its ability to continue as a going concern.

The credit facility also imposes additional operating and financial restrictions on Global Ship Lease. These restrictions may limit its ability to, among other things:

incur additional indebtedness in the vessel owning subsidiaries, including through the issuance of guarantees;

change the management of its vessels without the prior consent of the lender;

permit liens on its assets;

sell its vessels or change the ownership of its subsidiaries;

merge or consolidate with, or transfer all or substantially all its assets to, another person; and

enter into certain types of charters.

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Therefore, Global Ship Lease may need to seek consent from its lenders in order to engage in certain corporate actions. Its lenders' interests may be different from Global Ship Lease's and it cannot guarantee that it will be able to obtain its lenders' consent when needed. This may limit its ability to pay dividends, finance its future operations, make acquisitions or pursue business opportunities. Please see Item 4B – Business Overview – Global Ship Lease Credit Facility – for more information.

The Credit Facility Amendment provides that Global Ship Lease may not declare or pay common dividends before November 30, 2010 or until the leverage ratio is no more than 75%, whichever is later.

The Credit Facility Amendment provides that Global Ship Lease may not declare or pay common dividends before November 30, 2010 or until the leverage ratio is no more than 75%, whichever is later. As a result, Global Ship Lease has suspended its previous policy of paying dividends to common shareholders. Additionally, Global Ship Lease's credit facility provides that it may not pay dividends if there is a continuing default under the facility. Global Ship Lease is also prohibited from paying dividends if the payment of the dividend would result in a default and any payments to be made into the retention account are not fully up to date. The charter-free market value of Global Ship Lease's vessels can fluctuate substantially depending on market supply and demand for vessels. Since mid 2008, due to an excess of containership capacity as described above, vessel values have fallen significantly. In addition, 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. Consequently, the leverage ratio is volatile and will likely increase over time, which will negatively affect Global Ship Lease's ability to comply with its leverage ratio covenants. This, in turn, will impact Global Ship Lease's ability to resume dividend payments in the future.

Global Ship Lease cannot assure you that it will be able to refinance any indebtedness incurred under its credit facility.

Global Ship Lease cannot assure you that at the credit facility's final maturity date in August 2016 or when otherwise required, it will be able to refinance its indebtedness on terms that are acceptable to Global Ship Lease or at all. The actual or perceived credit quality of its charterers, any defaults by them, and the market value of its fleet, among other things, may materially affect its ability to obtain new or replacement debt financing. If Global Ship Lease is not able to refinance its indebtedness, it will have to dedicate cash flow from operations not already committed to prepay borrowings to pay the principal and interest of its indebtedness. Global Ship Lease cannot assure you that it will be able to generate cash flow in amounts that are sufficient for these purposes. If Global Ship Lease is not able to satisfy its debt service obligations with its cash flow from operations, Global Ship Lease may have to sell some or all of its assets, which may not be possible and which would have an adverse effect on its cash flows and results of operations. If Global Ship Lease is unable to meet its debt obligations for any reason, its lenders could declare its debt, together with accrued interest and fees, to be immediately due and payable and foreclose on vessels in its fleet.

Under the Credit Facility Amendment, all undrawn commitments of approximately \$200.0 million was cancelled and consequently Global Ship Lease does not have any capacity under the credit facility to pay for any further vessel acquisitions, including the two 4,250 TEU newbuildings scheduled to be delivered in the fourth quarter of 2010. If Global Ship Lease is unable to secure sufficient financing, it will not be able to meet its obligations under the purchase contracts and Global Ship Lease may be exposed to legal action by the sellers for damages.

On September 11, 2008, Global Ship Lease entered into contracts to purchase from German interests two 4,250 TEU containerships for a price of approximately \$77.4 million each. The vessels are expected to be delivered in December 2010 and are to be chartered to Zim Integrated Shipping Services Limited ("Zim") for seven to eight years. A deposit of 10% was paid when the purchase contracts were signed and the balance of 90%, or approximately \$139.3 million, is due upon delivery. As a result of the Credit Facility Amendment, Global Ship Lease has no capacity to borrow any further amounts under the credit facility to fund the remainder of the purchase price of the two newbuildings, and as such, must secure other sources of financing to meet its obligations to the sellers under the contracts. Global Ship Lease's obligations under the purchase contracts are not conditioned on either the availability of financing or on the performance of the charters. Although the purchase contracts contain a clause to limit liability in the event of buyer default to the forfeiture of the previously paid deposit, this limitation on liability may not be effective. Unless Global Ship Lease can secure additional financing or an amendment to the purchase contracts, Global Ship Lease may be exposed to legal action by the sellers for damages which may exceed the deposit already paid. In addition, Global Ship Lease may suffer impairment loss on any part of the deposit which has been paid and which might not be recoverable.

The status of Global Ship Lease's agreements to charter the two 4,250 TEU newbuildings is uncertain due to the financial restructuring of Zim.

Global Ship Lease has an agreement with Zim to charter the two 4,250 TEU newbuildings upon their delivery for a term of seven to eight years at a net rate of \$28,000 per vessel per day. In November 2009 Zim announced a financial restructuring in order to reduce its cashflow burden, including obtaining a reduction in charter payments under certain long-term charter agreements. Although Global Ship Lease has not agreed to any reduction in charterhire, Zim could unilaterally fail to perform under the charters when the charters are due to go into effect, such that Global Ship Lease could become the owner of the vessels with no effective charters in place.

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Global Ship Lease's Ship Manager and CMA CGM, its initial Charterer, are privately held companies and there is little or no publicly available information about them.

CMA CGM is Global Ship Lease's sole Charterer and its wholly owned subsidiary, CMA Ships, is Global Ship Lease's Ship Manager. CMA CGM's ability to continue to pay charterhire and CMA Ships' ability to render ship management services will depend in part on their own financial strength. CMA CGM has guaranteed the performance of CMA Ships under the ship management agreements. As described above, the container shipping sector has suffered a severe cyclical downturn and has been incurring substantial losses. Furthermore, many containership operators, including CMA CGM, have commitments to purchase newbuildings for delivery over the next three to four years which may not be fully funded with committed financing.

Circumstances beyond their control could impair CMA CGM's and CMA Ships' financial strength, and because they are privately held companies, information about their financial strength is not publicly available. As a result, Global Ship Lease and an investor in its securities might have little advance warning of financial or other problems affecting CMA CGM or their wholly owned subsidiaries even though their financial or other problems could have a material adverse effect on Global Ship Lease.

CMA CGM and Global Ship Lease's Ship Manager have conflicts of interest with Global Ship Lease and limited contractual duties, which may make them favor their own interests to Global Ship Lease's detriment.

Conflicts of interest may arise between Global Ship Lease, on the one hand, and CMA CGM, Global Ship Lease's initial Charterer, and CMA Ships, its Ship Manager, on the other hand. As a result of these conflicts, Global Ship Lease's Ship Manager may favor its own or its parent company's interests over Global Ship Lease's interests. These conflicts may have unfavorable consequences for Global Ship Lease. For example, Global Ship Lease's Ship Manager could be encouraged to incur unnecessary costs, for which it would seek reimbursement from Global Ship Lease. Although Global Ship Lease's ship management agreements expressly prohibit its Ship Manager from giving preferential treatment when performing any of its ship management services to any other vessel that is affiliated with it, or otherwise controlled by CMA CGM, conflicts of interest may arise between Global Ship Lease, and its Ship Manager and its initial Charterer.

Global Ship Lease's financial reporting is dependent on CMA CGM.

Under the ship management agreement with CMA Ships, the Ship Manager is obligated to provide Global Ship Lease with requisite financial information on a timely basis so that Global Ship Lease can meet its own reporting obligations under U.S. securities laws. CMA Ships and its parent company CMA CGM are privately held French corporations with financial reporting schedules different from Global Ship Lease. If CMA Ships or any of its affiliates is delayed in providing Global Ship Lease with key financial information, Global Ship Lease could fail to meet its financial reporting deadlines.

CMA CGM could compete with Global Ship Lease.

Along with many other vessel-owning companies, CMA CGM, currently Global Ship Lease's sole Charterer and largest holder of its common shares, could compete with Global Ship Lease in its search to purchase newbuildings and secondhand vessels. Further, CMA CGM is not precluded from acting as an owner in the direct chartering market. While Global Ship Lease understands that CMA CGM currently has no intention of doing so, competition from CMA CGM may potentially harm Global Ship Lease's ability to grow the business and may decrease its results of operations.

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.

The asset purchase agreement, the charters, the ship management agreements and the other contractual agreements Global Ship Lease entered into with CMA CGM and its wholly owned subsidiaries were made in the context of an affiliated relationship and were negotiated in the overall context of the previously contemplated public offering of its Class A common shares in 2007, the Merger in August 2008 and other related transactions. Global Ship Lease's agreements with CMA CGM may include terms that could not have been obtained from arms-length negotiations with unaffiliated third parties for similar services and assets. As a result, its future operating results may be negatively affected if Global Ship Lease does not receive terms as favorable in future negotiations with unaffiliated third parties or has to enter into lengthy and costly negotiations with third parties in connection with entering into such agreements.

Global Ship Lease's growth depends on its ability to purchase further vessels, obtain new charters and maintain and potentially expand its relationship with CMA CGM. Global Ship Lease will require additional financing to be able to grow and will face substantial

competition.

One of Global Ship Lease's objectives is to grow by acquiring additional vessels and chartering them out to container shipping companies including potentially CMA CGM. This will be particularly challenging since Global Ship Lease will need to obtain additional financing in order to acquire vessels. Due to the global banking crisis and the severe cyclical downturn in the containership industry, financing for investment in containerships, whether newbuildings or existing vessels, is severely limited. Further, demand for new long-term or medium-term charters of containerships has significantly reduced due to the current excess of capacity.

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The process of obtaining new charterers is highly competitive and often takes several months. Charters are awarded based upon a variety of factors relating to the vessel owner, including:

competitiveness of overall price;

the availability of committed financing;

containership experience and quality of ship operations (including cost effectiveness);

shipping industry relationships and reputation for reliability, customer service and safety;

quality and experience of seafaring crew;

the ability to finance containerships at competitive rates and financial stability generally;

relationships with shipyards and the ability to get suitable berths for newbuildings; and

construction management experience, including the ability to obtain on-time delivery of new vessels according to customer specifications.

Global Ship Lease will face substantial competition in expanding its business, including with respect to obtaining new containership charters, from a number of experienced companies. Many of these competitors may have greater financial resources than Global Ship Lease, and may also operate larger fleets and may be able to offer better charter rates. Due to the industry downturn, there are an increasing number of vessels available for charter, including many from owners with strong reputations and experience. The lack of available financing and excess supply of vessels in the container shipping market results in a more active short-term charter market and greater price competition for charters. As a result of these factors, Global Ship Lease may be unable to purchase additional containerships, expand its relationships with CMA CGM or to obtain new charterers on a profitable basis, if at all, which would have a material adverse effect on its business, results of operations and financial condition.

Global Ship Lease may be unable to make or realize expected benefits from vessel acquisitions, and implementing its growth strategy through acquisitions may harm its business, financial condition and operating results.

Global Ship Lease's growth strategy includes, among other things, selectively acquiring newbuildings and secondhand vessels. Growing any business through acquisition presents numerous risks, such as undisclosed liabilities and obligations, the possibility that indemnification agreements will be unenforceable or insufficient to cover potential losses and obtaining the necessary resources to manage an enlarged business. Global Ship Lease cannot give any assurance that it will be successful in executing its growth plans, that Global Ship Lease will be able to employ any acquired vessels under long-term charters or have ship management agreements with similar or better terms than those Global Ship Lease has obtained from its Ship Manager or that it will not incur significant expenses and losses in connection with its future growth.

Factors that may limit Global Ship Lease's ability to acquire additional vessels include availability of financing, shipyard capacity for newbuildings, the relatively small number of independent fleet owners and the limited number of modern vessels with appropriate characteristics not subject to existing long-term or other charters. Competition from other purchasers could reduce Global Ship Lease's acquisition opportunities or cause Global Ship Lease to pay higher prices.

Any acquisition of a vessel may not be profitable to Global Ship Lease and may not generate cash flow sufficient to justify Global Ship Lease's investment. In addition, Global Ship Lease's acquisition growth strategy exposes Global Ship Lease to risks that may harm its business, financial

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condition and operating results, including risks that Global Ship Lease may:

fail to obtain financing, ship management agreements and charters on acceptable terms;

be unable, including through its ship managers, to hire, train or retain qualified shore and seafaring personnel to manage and operate its growing business and fleet;

fail to realize anticipated benefits of cost savings or cash flow enhancements;

decrease its liquidity by using a significant portion of its available cash or borrowing capacity to finance acquisitions;

significantly increase its interest expense or financial leverage if Global Ship Lease incurs additional debt to finance acquisitions;

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

not be able to pay dividends.

Unlike newbuildings, secondhand vessels typically do not carry warranties as to their condition at the time of acquisition. While Global Ship Lease would generally inspect existing containerships prior to purchase, such an inspection would normally not provide Global Ship Lease with as much knowledge of a containership's condition as if it had been built for Global Ship Lease and operated

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by Global Ship Lease during its life. Future repairs and maintenance costs for existing vessels are difficult to predict and may be substantially higher than for equivalent vessels of which Global Ship Lease has had direct experience. These additional costs could decrease Global Ship Lease's cash flow and reduce its liquidity.

Global Ship Lease's business depends upon certain individuals who may not necessarily continue to be affiliated with Global Ship Lease.

Global Ship Lease's current performance and future success depends to a significant extent upon its Chief Executive Officer, Ian J. Webber, its Chief Financial Officer, Susan J. Cook, its Chief Commercial Officer, Thomas A. Lister and its Chief Technical Officer, Vivek Puri.

Mr. Webber, Ms. Cook, Mr. Lister and Mr. Puri have an aggregate of over 80 years of experience in the shipping industry and have worked with several of the world's largest shipping companies. They and members of the board of directors are crucial to the execution of the company's business strategies and to the growth and development of its business. If these individuals were no longer to be affiliated with Global Ship Lease, or if Global Ship Lease were to otherwise cease to receive advisory services from them, Global Ship Lease may be unable to recruit other employees with equivalent talent and experience, and its business and financial condition may suffer as a result.

Global Ship Lease is a recently formed company with a limited separate operating history and its historical financial and operating data are not representative of its future results.

Global Ship Lease is a recently formed company with limited operating history. The historical combined financial statements included in this Annual Report include, mainly as comparatives, its Predecessor Group's historical business activities as a container shipping company earning revenue from transporting shippers' cargo and incurring both vessel and voyage expenses, including fuel costs and all costs related to handling of containers for its vessels while the vessels were owned and operated by CMA CGM until the date of the individual transfer of each of 10 vessels in December 2007 and two further vessels in January 2008. These historical combined financial statements reflect the results of Global Ship Lease under its fixed-rate long-term charters, ship management agreements and its financing arrangements only from the date of the individual transfer to it of each vessel in December 2007, January 2008, December 2008 and August 2009. Further, Global Ship Lease's capital and legal structure changed significantly as a result of the Merger in August 2008, including it becoming listed on the New York Stock Exchange. Consequently, historical financial information is not a meaningful representation of its future results of operations.

Global Ship Lease has not performed and does not intend to perform underwater inspections of its vessels.

Although Global Ship Lease performed physical inspections of the vessels, Global Ship Lease has not performed and does not intend to perform any underwater inspections either prior to or after their purchase. As a result, Global Ship Lease will not be aware of any damage to a vessel that may exist at the time of delivery and which could only be discovered through an underwater inspection. Global Ship Lease purchased the vessels and newbuildings from CMA CGM on an "as is" basis, subject to CMA CGM being responsible for any class condition or recommendation that existed at the date of delivery of the vessels. However, if any damage is subsequently found, Global Ship Lease could incur substantial costs to repair the damage which would not be recoverable from the sellers.

Global Ship Lease is a holding company and it depends on the ability of its subsidiaries to distribute funds to Global Ship Lease in order to satisfy its financial and other obligations.

Global Ship Lease is a holding company and has no significant assets other than the equity interests in its subsidiaries. Global Ship Lease's subsidiaries own all of its vessels and payments under charters are made to the subsidiaries. As a result, its ability to pay dividends depends on the performance of its subsidiaries and their ability to distribute funds to it. The ability of its subsidiaries to make these distributions could be affected by a claim or other action by a third party, including a creditor, or by Marshall Islands law or the laws of any jurisdiction which regulates the payment of dividends by companies. If Global Ship Lease is unable to obtain funds from its subsidiaries, Global Ship Lease may not be able to meet its own liabilities or pay dividends, including on its preferred shares.

As its fleet ages, Global Ship Lease may incur increased operating costs, which would adversely affect its earnings.

In general, the day-to-day cost of operating and maintaining a vessel in good operating condition increases with age. In addition, older vessels are typically less fuel efficient and would attract lower charter rates compared to modern more fuel efficient vessels. Governmental regulations and safety or other equipment standards may also require expenditures for alterations, or the addition of new equipment, to its vessels and may restrict the type of activities in which its vessels may engage. Global Ship Lease cannot assure you that, as its vessels age, market conditions will justify those expenditures or expenditures to otherwise improve fuel efficiency to enable it to operate its vessels profitably during the remainder of their useful lives.

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Global Ship Lease's insurance may be insufficient to cover losses that may occur to its property or result from its operations.

The shipping industry has inherent operational risks. Although Global Ship Lease carries hull and machinery insurance, war risks insurance and protection and indemnity insurance (which includes environmental damage and pollution insurance), Global Ship Lease may not be adequately insured against all risks or its insurers may not pay every claim. Even if its insurance coverage is adequate to cover its losses, Global Ship Lease may not be able to obtain a replacement vessel in the event of a total or constructive total loss in a timely manner. Further, under the terms of its credit facility, Global Ship Lease is subject to restrictions on the use of any proceeds Global Ship Lease may receive from claims in the event of a total or constructive total loss under its insurance policies. Furthermore, in the future, Global Ship Lease may not be able to obtain adequate insurance coverage at reasonable rates for its fleet. Global Ship Lease may also be subject to calls, or premiums, in amounts based not only on its own claim records but also the claim records of all other members of the protection and indemnity associations through which Global Ship Lease receives indemnity insurance coverage for tort liability. In addition, insurers typically charge additional premiums if vessels transit certain excluded areas which may be subject to higher risk of piracy, war or terrorism. Global Ship Lease cannot be certain that its insurers will continue to provide such cover, or that it will be able to pass these increased costs to its charterers. Its insurance policies also contain deductibles, limitations and exclusions which, although Global Ship Lease believes are standard in the shipping industry, may nevertheless increase its costs.

In addition, Global Ship Lease does not presently carry loss-of-hire insurance, which covers the loss of revenue during extended vessel off-hire periods, such as those that might occur during an unscheduled drydocking due to damage to the vessel from an accident. Accordingly, any vessel that is off-hire for an extended period of time, due to an accident or otherwise, could have a material adverse effect on the company's business, results of operations and financial condition.

Global Ship Lease is incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law.

Global Ship Lease's corporate affairs are governed by its articles of incorporation and bylaws and by the Business Corporations Act of the Republic of the Marshall Islands, or BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain United States jurisdictions. Shareholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, Global Ship Lease's shareholders may have more difficulty in protecting their 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.

Because Global Ship Lease is organized under the laws of the Republic of the Marshall Islands, it may be difficult to serve Global Ship Lease with legal process or enforce judgments against it, its directors or its management.

Global Ship Lease is organized under the laws of the Republic of the Marshall Islands, and substantially all of its assets are located outside of the United States. Its principal executive offices are located outside the United States and most of its directors and officers reside outside the United States. As a result, it may be difficult or impossible for you to bring an action against Global Ship Lease or against its directors or its management in the United States if you believe that your rights have been infringed under securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Republic of the Marshall Islands and of other jurisdictions may prevent or restrict you from enforcing a judgment against Global Ship Lease's assets or its directors and officers.

Global Ship Lease cannot assure you if and when Global Ship Lease will resume paying dividends.

As a result of the Credit Facility Amendment, the credit facility prohibits the declaration or payment of any common dividend until the later of November 30, 2010 or when the leverage ratio is no more than 75%. The declaration and payment of dividends is also subject at all times to the discretion of Global Ship Lease's board of directors. When permitted by the credit facility and other contractual obligations, Global Ship Lease may resume the distribution of a portion of its cash flow to its shareholders, while retaining the remaining cash flow for reinvestment in its business, to fund vessel or fleet acquisitions, make debt repayments and for other purposes, as determined by Global Ship Lease's management and board of directors. There can be no assurance that its actual results will be as anticipated, that its board of directors will not increase the level of cash reserves or otherwise change its dividend policy or that Global Ship Lease will not have additional cash expenses or liabilities, including extraordinary expenses.

In addition to restrictions imposed by the credit facility, the timing and amount of future dividends, if any, could also be affected by various factors, including:

Global Ship Lease's earnings, financial condition and anticipated cash requirements;

unexpected repairs to, or required expenditures on, vessels or drydocking costs in excess of those anticipated;

additional acquisitions of vessels;

the loss of a vessel; and

the provisions under Marshall Islands law affecting distributions to shareholders, which generally prohibit the payment of dividends other than from surplus (retained earnings and the excess of consideration received from the sale of shares above the par value of the shares) or while a company is insolvent or would be rendered insolvent by the payment of such dividend.

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Global Ship Lease has anti-takeover provisions in its organizational documents that may discourage a change of control.

Certain provisions of Global Ship Lease's articles of incorporation and bylaws may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a shareholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by shareholders.

Certain of these provisions provide for:

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

restrictions on business combinations with certain interested shareholders;

directors only to be removed for cause and only with the affirmative vote of holders of at least a majority of the common shares entitled to vote in the election of directors;

advance notice for nominations of directors by shareholders and for shareholders to include matters to be considered at annual meetings; and

a limited ability for shareholders to call special shareholder meetings.

These anti-takeover provisions could make it more difficult for a third party to acquire Global Ship Lease, even if the third party's offer may be considered beneficial by many shareholders. As a result, shareholders may be limited in their ability to obtain a premium for their shares.

The price of Global Ship Lease's securities may be volatile.

The price of Global Ship Lease's common shares, units and warrants may be volatile, and may fluctuate due to factors such as:

actual or anticipated fluctuations in quarterly and annual results;

market conditions in the industry;

perceived counterparty risk;

fluctuations in Global Ship Lease's quarterly revenues and earnings and those of publicly held containership owners or operators;

shortfalls in Global Ship Lease's operating results from levels forecasted by securities analysts;

announcements concerning Global Ship Lease or other containership owners or operators;

limited operating history;

mergers and strategic alliances in the shipping industry;

changes in government regulation; and

the general state of the securities markets.

The international containership industry has been highly unpredictable and volatile. The market for common shares in companies operating in this industry may be equally volatile.

There will be a substantial number of Global Ship Lease's common shares available for sale in the future that may adversely affect the market price of Global Ship Lease's Class A common shares.

The common shares (not including the common shares underlying the sponsors warrants nor the common shares purchased by Mr. Gross and CMA CGM on the closing date of the Merger pursuant to assignment and acceptance agreements with Marathon) issued in the Merger to Marathon's initial stockholders and CMA CGM were subject to transfer restrictions set forth in the stockholders agreement. Generally, such shares could not be sold for one year from the date of the Merger. Furthermore, in connection with the Credit Facility Amendment, CMA CGM has agreed not to reduce its holding of common shares below the present level of approximately 24.4 million Class A and B common shares before November 30, 2010. Pursuant to the registration rights agreement entered into at the effective time of the Merger, Marathon's initial stockholders and CMA CGM can demand that Global Ship Lease register the resale of their common shares at any time after the one year anniversary of the Merger. Holders of the sponsor warrants were also entitled to request at any time after the Merger and did so request that the company register the Class A common shares underlying the sponsor warrants on a shelf registration statement. The registration and availability of such a significant number of securities for trading in the public market may have an adverse effect on the market price of Global Ship Lease's Class A common shares.

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The outstanding warrants may be exercised in the future, which would increase the number of shares eligible for future resale in the public market and result in dilution to our shareholders.

There are 5,500,000 sponsor warrants with an exercise price of \$6.00 which expire August 24, 2010. The sponsor warrants must be exercised on a cashless basis. There are 6,188,088 Class A warrants expiring September 1, 2013 with an exercise price of \$9.25. These are owned by CMA CGM, Michael Gross and other initial stockholders of Marathon. In addition, there are outstanding public warrants to purchase an aggregate of 39,531,348 Class A common shares that expire August 24, 2010. These warrants would likely only be exercised if the \$6.00 or \$9.25 per share exercise price is below the market price of the Class A common shares. To the extent they are exercised, additional Class A common shares will be issued, which will result in dilution to our shareholders and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our shares.

Global Ship Lease has swapped the majority of its anticipated core debt from floating rate based on LIBOR to fixed rate debt until at least March 2013 and therefore is locked into a base borrowing rate to which the applicable spread is added to determine the effective rate. Accordingly, Global Ship Lease has removed most of the volatility from its interest charge, other than for changes in the applicable margin, and is unable to benefit from falling LIBOR rates.

As part of its risk management strategy and in order to avoid volatility in its interest expense as well as meet the requirement of the credit facility to fix the interest rate on at least 50% of drawn debt, Global Ship Lease has swapped the majority of its anticipated core debt from floating rate based on LIBOR to fixed rate debt until at least March 2013. Approximately \$580 million of debt has been swapped into an average fixed rate of 3.59%. Global Ship Lease is therefore unable to benefit from falling LIBOR rates. Further, under the terms of the Credit Facility Amendment, prepayment of outstanding borrowings has been accelerated and it is likely that Global Ship Lease will be in an over-hedged position.

Depending on fluctuations in LIBOR, our interest rate swap agreements and their accounting treatment in our financial statements could result in decreases in our reported net income.

We have entered into certain financial instrument contracts to hedge our exposure to interest rate fluctuations. These derivative instruments are accounted for under the relevant U.S. GAAP guidance at market value, as none of the derivatives qualify for hedge accounting, with changes in the value being recognized directly in our combined statement of income. During the year ended December 31, 2009, LIBOR the related forward interest rate curve experienced upward movement which significantly impacted the estimated market value of our financial instruments, resulting in a non-cash gain of \$17.9 million in 2009. However, for the period from August 15, 2008 to December 31, 2008, we recorded a non-cash loss of \$55.9 million.

Future interest rate volatility may expose our net income to significant variations.

Risks Related to the Industry of Global Ship Lease

Global Ship Lease's growth and long term profitability depend mainly upon growth in demand for containerships and the condition of the charter market. The container shipping industry is cyclical and volatile and the industry is currently experiencing a severe cyclical downturn. There is an excess of vessel capacity and demand for containerships has fallen. Charter rates and vessel values have dropped, thus reducing the company's ability to secure new charterers at attractive rates.

The container shipping industry is both cyclical and volatile in terms of charter rates and profitability. Fluctuations in charter rates result from changes in the supply and demand for ship capacity, which is driven mainly by changes in the supply and demand for world trade container shipping services. There is currently an oversupply of ship capacity which has caused freight rates, charter rates and asset values, to fall. Charter rates have decreased significantly since mid 2008 and although short term charter rates have increased recently, rates may decrease in the future. The factors affecting the supply and demand for containerships and container shipping services are outside Global Ship Lease's control, and the nature, timing and degree of changes in industry conditions are unpredictable.

The factors that influence demand for containership capacity include:

supply and demand for products suitable for shipping in containers;

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changes in the pattern of global production of products transported by containerships;

the globalization of manufacturing;

global and regional economic and political conditions;

developments in international trade;

changes in seaborne and other transportation patterns, including changes in the distances over which container cargoes are transported, the size of containerships, the extent of trans-shipments and the competitiveness of other forms of marine transportation including dry bulk and refrigerated vessels;

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environmental and other legal and regulatory developments;

the price of oil and economics of slow steaming;

the availability of trade finance and currency exchange rates; and

port and canal congestion.

The factors that influence the supply of containership capacity include:

the containership newbuilding orderbook;

the availability of financing;

the scrapping rate of older containerships;

the number of containerships off-hire;

the price of steel and other raw materials;

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

the availability of shipyard capacity;

port and canal congestion; and

the price of oil, economics of slow steaming and number of vessels laid-up.

Global Ship Lease's ability to re-charter its fleet upon the expiration or termination of its charters, and the charter rates receivable under and the duration of any renewal or replacement charters will depend upon, among other things, the then state of the containership market and how the then age and quality of Global Ship Lease's fleet are perceived by the market. If the containership market is in a period of depression when Global Ship Lease's vessels' charters expire for whatever reason, including an oversupply of containership capacity, Global Ship Lease may be forced to re-charter its vessels at reduced or unprofitable rates, which may reduce or eliminate its earnings or make its earnings increasingly volatile, or it may not be able to re-charter its vessels at all. The same issues will exist if Global Ship Lease acquires additional vessels without charter arrangements in place, or at the expiration of charters that may be in place, obliging Global Ship Lease to try to fix employment of the additional vessels in the spot market while attempting to subject them to a long-term time charter arrangement.

If the market value of vessels or charter rates substantially declines then Global Ship Lease may incur a financial loss if it attempts to sell one or more of its vessels.

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Containership values can fluctuate substantially over time and have recently declined significantly. A number of factors may contribute to a decrease in the market value of containerships, including:

unfavorable economic conditions in the market in which the containership trades;

a substantial or extended decline in world trade growth leading to reduced demand for container shipping services;

increases or an oversupply in global containership capacity; and

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

If a charter terminates when the charter market for containerships is depressed, Global Ship Lease may be unable to re-charter the vessel at attractive rates and, rather than continue to incur costs to maintain and finance the vessel, Global Ship Lease may seek to dispose of it. It is likely that in such circumstances asset values will also be depressed. Inability to dispose of the containership at a reasonable price could result in a loss on the vessel's sale and adversely affect Global Ship Lease's results of operations and financial condition.

Future fluctuations in charter rates and vessel values may trigger a possible impairment of Global Ship Lease's vessels as described in Management's Discussion and Analysis of Financial Condition and Results of Operations of Global Ship Lease Critical Accounting Policies and Estimates.

Charter-free market values of Global Ship Lease's vessels pledged as security under the credit facility may also impact its ability to satisfy its leverage ratio covenant under the credit facility.

Global Ship Lease may have more difficulty entering into long-term charters if a more active and cheaper short-term or spot container shipping market develops.

At the expiration of Global Ship Lease's charters, if a charter terminates early for any reason or if Global Ship Lease acquires vessels charter-free, Global Ship Lease will need to charter or re-charter its vessels. Should more vessels be available on the spot or short-term market at the time Global Ship Lease is seeking to fix new long-term charters, Global Ship Lease may have difficulty entering into such charters at profitable rates and for any term other than short term and, as a result, Global Ship Lease's cash flow may be subject

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to instability in the long-term. In addition, it would be more difficult to fix relatively older vessels should there be an oversupply of younger vessels on the market. A more active short-term or spot market may require Global Ship Lease to enter into spot or short-term charters based on prevailing market rates, as opposed to long-term contracts based on a fixed rate, which could result in a decrease in Global Ship Lease's cash flow in periods when charter rates are depressed.

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

Piracy is an inherent risk in the operation of ocean-going vessels and has recently affected vessels trading in several regions of the world such as the South China Sea, the Gulf of Aden and off the coast of Somalia. In recent years, the frequency of piracy incidents against commercial shipping vessels has increased significantly, particularly in the Gulf of Aden and off the coast of Somalia. Pirate attacks on any of the company's vessels could result in loss of life, the kidnapping of crew or the theft, damage or destruction of vessels or of containers or cargo being transported thereon. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on our business, results of operations and financial condition. In addition, insurance premiums and costs such as onboard security guards, should we decide to employ them, could increase in such circumstances. Further, acts of piracy may materially adversely affect our charterers, impairing their ability to make payments to us under our charters.

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

Terrorist attacks, such as the attacks on the United States on September 11, 2001, and the continuing response of the United States and other countries to these attacks, as well as the threat of future terrorist attacks, continue to cause uncertainty in the world financial markets and may affect Global Ship Lease's business, results of operations and financial condition from increased security costs and more rigorous inspection procedures at borders and ports. From time to time acts of terrorism, regional conflict and other armed conflict around the world, may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect Global Ship Lease's ability to obtain additional financing on terms acceptable to Global Ship Lease or at all.

Terrorist attacks targeted at oceangoing vessels may also negatively affect Global Ship Lease's future operations and financial condition from, for example, increased insurance costs, and directly impact its containerhips or its customers. Future terrorist attacks could result in increased market volatility or even a recession in the United States or elsewhere or negatively affect global financial markets, and could further increase inspection and security requirements and regulation that could slow its operations and negatively affect its profitability. Any of these occurrences could have a material adverse impact on Global Ship Lease's operating results, revenue and costs.

Risks inherent in the operation of containerhips could impair the ability of the initial Charterer to make payments to Global Ship Lease, increase its costs or reduce the value of Global Ship Lease's assets.

Global Ship Lease's containerhips and its cargoes are at risk of being damaged or lost because of events such as marine accidents, bad weather, mechanical failures, human error, war, terrorism, piracy, environmental accidents and other circumstances or events. Any of these events connected to Global Ship Lease's vessels or other vessels under the initial Charterer's control, or any other factor which negatively affects the initial Charterer's business such as the current economic downturn and significant cyclical depression in the container shipping industry, could impair the ability of the initial Charterer to make payments to Global Ship Lease pursuant to its charters. Although the initial Charterer is obligated to pay Global Ship Lease charterhire regardless of the amount of cargo being carried on board, it is possible that generally low cargo volumes and low freight rates or events noted above may render the initial Charterer financially unable to pay Global Ship Lease its hire. Furthermore, there is a risk that a vessel may become damaged, lost or destroyed during normal operations and any such occurrence may cause Global Ship Lease additional expenses to repair or substitute the vessel or may render Global Ship Lease unable to provide the vessel for chartering, which will cause Global Ship Lease to lose charter revenue.

These occurrences could also result in death or injury to persons, loss of property or environmental damage, loss of revenues from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business, higher insurance rates, and damage to Global Ship Lease's reputation and customer relationships generally. Any of these circumstances or events could increase its costs or lower Global Ship Lease's revenues, which could result in reduction in the market price of its Class A common shares.

Maritime claimants could arrest Global Ship Lease's vessels, which could interrupt the initial Charterer's or Global Ship Lease's cash flow.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of Global Ship Lease's vessels, for valid or invalid reasons, could interrupt the

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initial Charterer's or Global Ship Lease's cash flow and require the initial Charterer or Global Ship Lease or Global Ship Lease's insurance to pay a significant amount to have the arrest lifted. In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel that is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert "sister ship" liability against one vessel in its fleet for claims relating to another vessel in its fleet. In any event, any lien imposed may adversely affect its results of operations by delaying the revenue gained from ships.

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Governments could requisition Global Ship Lease's vessels during a period of war or emergency without adequate compensation.

A government could requisition one or more of Global Ship Lease's vessels for title or for hire. Requisition for title occurs when a government takes control of a vessel and becomes its owner, while requisition for hire occurs when a government takes control of a vessel and effectively becomes its charterer at dictated charter rates. Generally, requisitions occur during periods of war or emergency, although governments may elect to requisition vessels in other circumstances. Although Global Ship Lease would likely be entitled to compensation in the event of a requisition of one or more of its vessels, the amount and timing of payment would be uncertain. Government requisition of one or more of Global Ship Lease's vessels may negatively impact its revenues and cash flow.

Technological innovation could reduce Global Ship Lease's charter income and the value of Global Ship Lease's vessels.

The charter rates and the value and operational life of a vessel are determined by a number of factors including the vessel's efficiency, operational flexibility and physical condition. Efficiency includes speed, fuel economy and the ability to load and discharge containers quickly. Flexibility includes the ability to enter harbors with draft or other physical considerations, utilize related dock facilities, such as cranes, load or unload with on-board cranes, carry temperature controlled containers and pass through canals and straits. Physical condition is related to the original design and construction, maintenance and the impact of the stress of operations. If new containerships are built that are more efficient or more flexible or have longer physical lives than Global Ship Lease's vessels, competition from these more technologically advanced containerships could adversely affect the amount of charterhire Global Ship Lease receives for its vessels once their initial charters expire and the resale value of its vessels could significantly decrease.

Compliance with safety and other vessel requirements imposed by classification societies may be costly and may adversely affect Global Ship Lease's business and operating results.

The hull and machinery of every commercial vessel must conform to the rules and standards of a classification society approved by the vessel's country of registry. Such societies set the rules and standards for the design, construction, classification, and surveys of vessels and conduct surveys to determine whether vessels are in compliance with such rules and standards. A certification by the society is an attestation that the vessel is in compliance with the society's rules and standards. A vessel involved in international trade must also conform to national and international regulations on safety, environment and security, including (but not limited to) the Safety of Life at Sea Convention, or SOLAS, and the International Convention for the Prevention of Pollution from Ships. A vessel conforms to such regulations by obtaining certificates from its country of registry and/or a classification society authorized by the country of registry.

A vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special or class renewal survey, a vessel's machinery may be reviewed on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Please see [Business Overview](#) [Inspection by Classification Societies](#) for more information regarding annual surveys, intermediate surveys and special surveys. Bureau Veritas, Lloyd's Register and Germanischer Lloyd, the classification societies for the vessels in Global Ship Lease's fleet, may approve and carry out in-water inspections of the underwater parts of its vessels once every three to five years, in lieu of drydocking inspections. 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.

If a vessel does not maintain its in class certification or fails any annual survey, intermediate survey or special survey, port authorities may detain the vessel, refuse her entry into port or refuse to allow her to trade resulting in the vessel being unable to trade and therefore rendering her unemployable. In the event that a vessel becomes unemployable, Global Ship Lease could also be in violation of provisions in its charters, insurance coverage, covenants in its loan agreements and ship registration requirements and its revenues and future profitability would be negatively affected.

Global Ship Lease is subject to regulation and liability under environmental laws that could require significant expenditures and affect Global Ship Lease's cash flows and net income.

The shipping industry, and the operations of containerships, are materially affected by environmental regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which Global Ship Lease's containerships operate, as well as in the country or countries of their registration, including those governing the management and disposal of hazardous substances and wastes, the cleanup of oil spills and other contamination, air emissions, water discharges and ballast water management. Because such conventions, laws and regulations are often revised, Global Ship Lease cannot predict the cost of complying with such requirements or the impact thereof on the value or useful life of its containerships. Additional conventions, laws and regulations may be adopted that could limit Global Ship Lease's ability to do business or increase the cost of its doing business and which may materially adversely affect Global Ship Lease's operations. Global Ship Lease is required by various governmental and quasi-governmental agencies to obtain certain permits, licenses,

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certificates and financial assurances with respect to its operations. Many environmental requirements are designed to reduce the risk of pollution, such as oil spills, and compliance with these requirements can be costly.

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

In addition, significant compliance costs could be incurred due to existing environmental laws and regulations and those that may be adopted, which could require new maintenance and inspection procedures and new restrictions on air emissions from its containerships, the development of contingency arrangements for potential spills and/or obtaining insurance coverage. Government regulation of vessels, particularly in the areas of safety and environmental requirements, can be expected to become increasingly strict in the future and require Global Ship Lease to incur significant capital expenditures on its vessels to keep them in compliance, or even to scrap or sell certain vessels altogether. Global Ship Lease believes that regulation of the shipping industry will continue to become more stringent and more expensive for Global Ship Lease and its competitors. Substantial violations of applicable requirements or a catastrophic release of bunker fuel from one of its containerships, among other events, could have a material adverse impact on its business, financial condition and results of operations. For additional information on these and other environmental requirements, you should carefully review the information contained in [Business Overview](#) [Environmental and Other Regulations](#).

Risks Related to Tax Matters

Global Ship Lease's operating income could fail to qualify for an exemption from U.S. federal income taxation, which will reduce its cash flow.

Global Ship Lease does not expect to be engaged in a United States trade or business. In the case of a foreign corporation that is not so engaged, the Internal Revenue Code of 1986, as amended (the "Code"), imposes a 4% U.S. federal income tax (without allowance of any deductions) on 50% of the corporation's gross transportation income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States, unless the corporation qualifies for the exemption provided in Section 883 of the Code. The imposition of this tax could have a negative effect on Global Ship Lease's business, financial condition and results of operations. Under the charter agreements, the initial Charterer has agreed to provide reimbursement for any such taxes as the initial Charterer determines where each vessel trades.

There are factual circumstances, such as the composition of its shareholder base, beyond Global Ship Lease's control that could cause it not to have the benefit of the exemption provided by Section 883 of the Code and thereby be subject to the 4% tax described above. Based on information that Global Ship Lease has as to its shareholders and other matters, Global Ship Lease may qualify for the Section 883 exemption for 2009. Because the availability of the Section 883 exemption depends on matters over which Global Ship Lease has no control, Global Ship Lease can give no assurances that it will or will continue to qualify for the Section 883 exemption. See [Additional Information](#) [Taxation](#) [Taxation of Global Ship Lease](#) [The Section 883 exemption](#) for a more comprehensive discussion of the transportation income exemption.

Global Ship Lease could be taxed as a United States corporation.

Section 7874 of the Code provides that a foreign corporation which acquires substantially all the properties of a U.S. corporation is generally treated as though it were a U.S. corporation for U.S. federal income tax purposes 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. Akin Gump Strauss Hauer & Feld LLP has given a legal opinion that this rule should not apply to Global Ship Lease. Such opinion relied, in part, on assumptions, representations and other information as to certain factual matters, including valuation. Valuation is a question of fact and is subjective. There can be no assurance that the Internal Revenue Service (the "IRS") would not seek to challenge the correctness of such assumptions, representations or other information or the conclusion reached in such legal opinion, or that such a challenge would not be successful. Akin Gump Strauss Hauer & Feld LLP has not undertaken any obligation to update its opinion.

If Global Ship Lease were to be treated as a U.S. corporation, its net income would be subject to U.S. federal corporate income tax, with the highest statutory rate currently being 35%. The imposition of this tax would likely have a negative effect on its business, financial condition and results of operations. Please see [Additional Information](#) [Taxation](#) [Taxation of Global Ship Lease](#) [Possibility of taxation as a U.S. corporation](#) for a more comprehensive discussion of the tax consequences to Global Ship Lease being taxed as a U.S. corporation.

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Certain adverse U.S. federal income tax consequences could arise for United States holders.

Shareholders of a passive foreign investment company, or PFIC, that are United States persons within the meaning of the Code, which Global Ship Lease refers to as United States shareholders, are subject to a disadvantageous U.S. federal income tax regime with respect to the distributions they receive from a PFIC and the gain, if any, they derive from the sale or other disposition of their shares in a PFIC (as discussed below). In addition, dividends paid by a PFIC do not constitute qualified dividend income and, hence, are ineligible for the preferential rate of tax that applies to qualified dividend income.

A foreign corporation is treated as a PFIC if either (1) 75% or more of its gross income for any taxable year consists of certain types of passive income or (2) 50% or more of the average value of the corporation's assets produce or are held for the production of those types of passive income. For purposes of these tests, passive income includes dividends, interest and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business; income derived from the performance of services does not, however, constitute passive income.

While there are legal uncertainties involved in this determination, based on representations made by Global Ship Lease, GSL Holdings and Marathon, Simpson Thacher & Bartlett LLP, or Simpson Thacher, has advised Global Ship Lease, and has delivered 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 Global Ship Lease owns for the production of this income should not constitute passive assets. Based on this opinion, Global Ship Lease does not expect that it will constitute a PFIC with respect to the current or any future taxable year.

There is, however, no direct legal authority under the PFIC rules addressing its current and projected future operations. In addition, Simpson Thacher's opinion was based on certain representations made by Global Ship Lease, GSL Holdings and Marathon, and such representations were not and will not be presented for review to the IRS. Accordingly, no assurance can be given that the IRS will not assert that Global Ship Lease is a PFIC with respect to any taxable year, nor that a court would not uphold any such assertion. Moreover, no assurance can be given that Global Ship Lease will be able to avoid PFIC classification for any future taxable year if Global Ship Lease decides to change the nature and/or extent of its operations. Simpson Thacher has not undertaken any obligation to update its opinion.

Further, in a recent case not concerning PFICs, *Tidewater Inc. v. U.S.*, 2009-1 USTC ¶ 50,337, the Fifth Circuit held that a vessel time charter at issue generated rental, rather than services, income. However, the court's ruling was contrary to the position of the IRS that the time charter income should be treated as services income, and the terms of the time charter in that case differ in material respects from the terms of most of Global Ship Lease's time charters. No assurance can be given that the IRS or a court of law would accept Global Ship Lease's position, and there is a risk that the IRS or a court of law could determine that the company is a PFIC.

If the IRS were to determine that Global Ship Lease is or has been a PFIC for any taxable year, its United States shareholders will face adverse United States tax consequences. Distributions paid by Global Ship Lease with respect to its shares will not constitute qualified dividend income if Global Ship Lease were a PFIC in the year Global Ship Lease pays a dividend or in the prior taxable year and, hence, will not be eligible for the preferential rate of tax that applies to qualified dividend income. In addition, its United States shareholders (other than shareholders who have made a qualified electing fund or mark-to-market election) will be subject to special rules relating to the taxation of excess distributions with excess distributions being defined to include certain distributions Global Ship Lease may make on its Class A common shares as well as gain recognized by a U.S. holder on a disposition of its Class A common shares. In general, the amount of any excess distribution will be allocated ratably to each day of the U.S. holder's holding period for its Class A common shares. The amount allocated to the current year and any taxable year prior to the first taxable year for which Global Ship Lease was a PFIC will be included in the U.S. holder's gross income for the current year as ordinary income. With respect to amounts allocated to prior years for which Global Ship Lease was a PFIC, the tax imposed for the current year will be increased by the deferred tax amount, which is an amount calculated with respect to each prior year by multiplying the amount allocated to such year by the highest rate of tax in effect for such year, together with an interest charge as though the amounts of tax were overdue. See Additional Information Taxation Taxation of Global Ship Lease Tax Consequences of Holding Class A Common Shares U.S. holders Consequences of possible passive foreign investment company classification for a more comprehensive discussion of the U.S. federal income tax consequences to United States shareholders if Global Ship Lease were treated as a PFIC (including those applicable to United States shareholders who make a qualified electing fund or mark-to-market election).

Global Ship Lease may be subject to taxation on all or part of its income in the United Kingdom, which could have a material adverse effect on its results of operations.

If Global Ship Lease were considered to be a resident of the United Kingdom or to have a permanent establishment in the United Kingdom, all or a part of its profits could be subject to UK corporate tax, which currently has a maximum rate of 28%. Global Ship Lease is managed and controlled from outside the United Kingdom and restricts its activities within the United Kingdom so that its UK taxes will be minimized.

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Certain intra-group services may be provided from within the United Kingdom, in which case UK corporate tax will be payable on the arms-length price for those services. The appropriate arms-length price in these circumstances is likely to be a matter of negotiation with the UK taxing authorities.

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Because some administrative and executive services will be provided to Global Ship Lease by a subsidiary company located in the United Kingdom and certain of its directors may reside in the United Kingdom, and because UK statutory and case law fail to definitively identify the activities that constitute a trade being carried on in the United Kingdom through a permanent establishment, the UK taxing authorities may contend that Global Ship Lease is subject to UK corporate tax on all of its income, or on a greater portion of its income than Global Ship Lease currently expects to be taxed. If the UK taxing authorities made such a contention, Global Ship Lease could incur substantial legal costs defending its position, and, if Global Ship Lease was unsuccessful in its defense, its results of operations would be materially adversely affected.

Item 4. Information on the Company **A. History and Development of the Company**

Global Ship Lease is a Republic of the Marshall Islands corporation that owns a fleet of modern containerships of diverse sizes and charters the vessels out under long-term, fixed-rate charters to reputable container shipping companies to generate stable revenues.

Pursuant to an asset purchase agreement (the "asset purchase agreement") with CMA CGM and certain of its vessel-owning subsidiaries, Global Ship Lease acquired from CMA CGM its current fleet of 14 secondhand vessels and three newly built vessels. All of the vessels are time chartered to CMA CGM (which, in such capacity, is sometimes referred to as the "initial Charterer") for terms between five and 17 years equal to a non-weighted average term of 9.1 years remaining at December 31, 2009 for the 17 vessels in the fleet at that date. Global Ship Lease's management team undertakes all management of, and strategy for, its fleet and supervises the day-to-day ship management of its vessels which is currently provided by CMA Ships (the "Ship Manager"), a wholly owned subsidiary of CMA CGM, pursuant to ship management agreements.

On March 21, 2008, Global Ship Lease entered into a merger agreement pursuant to which Marathon Acquisition Corp. ("Marathon") and Global Ship Lease, Inc., a subsidiary of CMA CGM, merged with and into GSL Holdings, Inc. ("GSL Holdings"), Marathon's newly-formed, wholly owned Marshall Islands subsidiary, with GSL Holdings (now renamed Global Ship Lease, Inc.) continuing as the surviving company incorporated in the Republic of the Marshall Islands (collectively, "Merger"). The Merger was consummated on August 14, 2008.

Pursuant to the Merger, holders of shares of Marathon common stock (other than Marathon Founders, LLC and the other initial stockholders of Marathon) received one Class A common share of Global Ship Lease for each share of Marathon common stock issued and outstanding immediately prior to the effective time of the Merger. In respect of the aggregate 9,375,000 shares of Marathon common stock held by them, Marathon Founders, LLC and the other initial stockholders of Marathon received in the Merger an aggregate of 2,846,906 Class A common shares of Global Ship Lease, 3,471,906 Class B common shares and warrants to acquire an aggregate of 3,056,188 Class A common shares at an exercise price of \$9.25. CMA CGM received consideration consisting of 6,778,650 Class A common shares, 3,934,050 Class B common shares, 12,375,000 Class C common shares, 1,000 Series A preferred shares, warrants to acquire 3,131,900 Class A common shares at an exercise price of \$9.25, and \$18,570,135 in cash. The rights of holders of Class B common shares are identical to those of holders of Class A common shares subject to meeting certain tests, except that the holders of Class B common shares were not entitled to receive any dividends with respect to any quarter prior to the fourth quarter of 2008 and their dividend rights are subordinated to those of holders of Class A common shares until at least the third quarter of 2011. The Class C common shares automatically converted into Class A common shares on a one-for-one basis on January 1, 2009.

The Class A common shares, warrants to purchase Class A common shares and units (each unit consisting of one Class A common share and one warrant to purchase one Class A common share) are listed on the NYSE under the symbols GSL for the Class A common shares, GSL.WS for the warrants and GSL.U for the units.

The mailing address of Global Ship Lease's principal executive office is c/o Global Ship Lease Services Limited, Portland House, Stag Place, London SW1E 5RS, United Kingdom, and its telephone number is 44 (0) 20 7869 8006.

B. Business Overview

Our Fleet

Global Ship Lease's fleet, as of December 31, 2009, consisted of 17 containerships, including three newly built vessels, with an aggregate capacity of 66,297 TEU and a weighted average age of approximately 5.8 years and a non-weighted average age of 6.9 years. All of these vessels were acquired from CMA CGM or its subsidiaries pursuant to the asset purchase agreement.

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The table below provides information about Global Ship Lease's current fleet. Each vessel is on charter to CMA CGM:

Vessel Name	Size (TEU)	Year Built	Classification Society
<i>Ville d'Orion</i>	4,113	1997	Bureau Veritas
<i>Ville d'Aquarius</i>	4,113	1996	Bureau Veritas
<i>CMA CGM Matisse</i>	2,262	1999	Bureau Veritas
<i>CMA CGM Utrillo</i>	2,262	1999	Bureau Veritas
<i>Delmas Keta</i>	2,207	2003	Bureau Veritas
<i>Julie Delmas</i>	2,207	2002	Bureau Veritas
<i>Kumasi</i>	2,207	2002	Bureau Veritas
<i>Marie Delmas</i>	2,207	2002	Bureau Veritas
<i>CMA CGM La Tour</i>	2,272	2001	Bureau Veritas
<i>CMA CGM Manet</i>	2,272	2001	Bureau Veritas
<i>CMA CGM Alcazar</i>	5,100	2007	Bureau Veritas
<i>CMA CGM Château d'If</i>	5,100	2007	Bureau Veritas
<i>CMA CGM Thalassa</i>	10,960	2008	Bureau Veritas
<i>CMA CGM Jamaica</i>	4,298	2006	Germanischer Lloyd
<i>CMA CGM Sambhar</i>	4,045	2006	Lloyd's Register
<i>CMA CGM America</i>	4,045	2006	Lloyd's Register
<i>CMA CGM Berlioz</i>	6,627	2001	Bureau Veritas

In addition, Global Ship Lease has contracted to purchase two further containerships as set out below:

Vessel Name	Size (TEU)	Year Built	Estimated Delivery Date to GSL	Charterer	Charter Period (years)	Net Daily Rate (\$)
Hull 789 ⁽¹⁾	4,250	2010	December 2010	Zim	7-8 ⁽²⁾	\$ 28,000
Hull 790 ⁽¹⁾	4,250	2010	December 2010	Zim	7-8 ⁽²⁾	\$ 28,000

(1) Contracted to be purchased from German interests

(2) Seven to eight year charter at charterer's option

Time Charters

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 crew, lubricating oil, all maintenance and other services related to the vessel's operation, the cost of which is included in the daily rate. The vessel owner is also responsible for insuring its interests in the vessel and liabilities as owner arising from its use. The charterer is responsible for substantially all of the vessel's voyage costs, such as fuel and cargo handling charges.

Initial Term

Each of the vessels in our current fleet is subject to a long-term time charter with CMA CGM. Global Ship Lease has separate subsidiaries to own each vessel in its fleet. Global Ship Lease guarantees the obligations of each of its subsidiaries under the charters. Each of Global Ship Lease's charters commenced on each vessel's delivery. Due to different delivery dates and durations, 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 charters and may mitigate the impact of the cyclical nature of the container shipping industry. The charters have initial terms of five to 17 years and its fleet has a non-weighted average charter period of 9.1 years remaining at December 31, 2009 for the 17 vessels in the fleet at that date. The initial charter periods for Global Ship Lease's current fleet are as follows:

Vessel Name	Commencement of Charter	Charter Period (Years)
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<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>Delmas Keta</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
<i>CMA CGM Thalassa</i>	December 2008	17
<i>CMA CGM Jamaica</i>	December 2008	14
<i>CMA CGM Sambhar</i>	December 2008	14
<i>CMA CGM America</i>	December 2008	14
<i>CMA CGM Berlioz</i>	August 2009	12

Table of Contents***Net Daily Rate***

Net daily rate refers to the basic payment by the charterer to the owner for the use of the vessel, net of any chartering commission (if applicable). Under all of the time charters for its current fleet, hire is payable to Global Ship Lease in advance every 15 days in United States dollars. The net daily rate is a fixed daily amount that will remain the same for the duration of the charter, although in certain circumstances the charter rate can increase. For example, 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 fleet on charter to CMA CGM 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 operating 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.

The following chart shows the net daily hire rate that CMA CGM has agreed to pay for each vessel:

Vessel Name	Net Daily Rate (\$)
<i>Ville d' Orion</i>	28,500
<i>Ville d' Aquarius</i>	28,500
<i>CMA CGM Matisse</i>	18,465
<i>CMA CGM Utrillo</i>	18,465
<i>Delmas Keta</i>	18,465
<i>Julie Delmas</i>	18,465
<i>Marie Delmas</i>	18,465
<i>CMA CGM La Tour</i>	18,465
<i>CMA CGM Manet</i>	18,465
<i>Kumasi</i>	18,465
<i>CMA CGM Alcazar</i>	33,750
<i>CMA CGM Château d' If</i>	33,750
<i>CMA CGM Thalassa</i>	47,200
<i>CMA CGM Jamaica</i>	25,350
<i>CMA CGM Sambhar</i>	25,350
<i>CMA CGM America</i>	25,350
<i>CMA CGM Berlioz</i>	34,000

Operations and Expenses

As owner, Global Ship Lease is required to maintain each vessel in class and in an efficient state of hull and machinery and is responsible for vessel costs such as crewing, lubricating oil, maintenance, insurance and drydocking. The charterer is responsible for the voyage costs, which includes bunker fuel, stevedoring, port charges and towage. As described below, Global Ship Lease has entered into ship management agreements and the global expense agreement with its Ship Manager.

For vessels in the current fleet, 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 although if the annual costs aggregate to more than \$100,000 for each vessel impacted by such changes, the initial Charterer will compensate Global Ship Lease through an increase in charterhire from the year the aggregate amount is reached.

The charter agreements for vessels in the current fleet stipulate that the initial Charterer should re-imburse Global Ship Lease for any costs of war risks insurance additional premiums 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.

Right of First Refusal

Pursuant to the terms of the time charter, the initial Charterer of the current fleet 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 charter hire (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 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 technical management of each vessel, which includes crewing, provision of lubricating oils, maintaining the vessel, periodic drydocking and performing work required by regulations. The day-to-day crewing and technical management of its vessels are provided by its Ship Manager pursuant to the terms of the ship management agreements.

Termination and Withdrawal

If a vessel in the current fleet 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 will terminate in the event of a total (actual or constructive) loss of the vessel or if the vessel is requisitioned.

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.

Ship Management Agreements

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For the current fleet Global Ship Lease's Ship Manager, CMA Ships, a subsidiary of CMA CGM, provides day-to-day technical ship management services, including purchasing, crewing, provision of lubricating oil, 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.

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

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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 current fleet's compliance with all government and other regulations, and compliance with class certifications.

The 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.

The 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 withhold. With Global Ship Lease's consent, the Ship Manager has sub-contracted all of its management services under its ship management agreements to its UK subsidiary, CMA Ships UK. Global Ship Lease's ship management agreements with the Ship Manager have a term of three years from delivery of each vessel subject to the termination rights set forth below.

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 Ships' right to match the third party's terms.

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.

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.

Global Ship Lease intends that the ship management of newbuilding hulls 789 and 790, scheduled for delivery in the fourth quarter of 2010 for timecharter to Zim, will be subcontracted to a third party ship manager unrelated to CMA CGM.

Insurance

Global Ship Lease arranges for insurance coverage for each of its vessels, including hull and machinery insurance, protection and indemnity insurance and war risk insurance. Global Ship Lease is responsible for the payment of all premiums.

Global Expense Agreement

Pursuant to the ship management agreements with CMA Ships, ship operating expenses incurred by the Ship Manager on Global Ship Lease's behalf in the operation of its fleet on charter to CMA CGM 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.

Vessel Name	Per Diem Cap (\$)
<i>Ville d'Orion</i>	6,400

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<i>Ville d' Aquarius</i>	6,400
<i>CMA CGM Matisse</i>	5,400
<i>CMA CGM Utrillo</i>	5,400
<i>Delmas Keta</i>	5,400
<i>Julie Delmas</i>	5,400
<i>Marie Delmas</i>	5,400
<i>CMA CGM La Tour</i>	5,400

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Vessel Name	Per Diem Cap (\$)
<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>CMA CGM Thalassa</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 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 current 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 operating 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.

Credit Facility

Global Ship Lease has a senior secured credit facility with Fortis Bank (Nederland) N.V. (the Agent), Citibank Global Markets Limited, HSH Nordbank AG, Sumitomo Mitsui Banking Corporation, Brussels Branch, KfW, DnB Nor Bank ASA and Bank of Scotland, which Global Ship Lease refers to as its credit facility. Global Ship Lease drew funds under its credit facility to finance in part the purchase of its vessels from CMA CGM. All of Global Ship Lease's vessel-owning subsidiaries are included as borrowers and guarantors jointly and severally guaranteeing Global Ship Lease's obligations under the credit facility.

Credit Facility Amendment

Under the terms of the Credit Facility Amendment, effective as of August 20, 2009, the credit facility effectively became a term loan of approximately \$600 million with a final maturity date of August 14, 2016. Following the Credit Facility Amendment, there is no undrawn capacity under the credit facility.

The credit facility has a leverage ratio test which provides that, if the leverage ratio exceeds 75%, the Agent may require a prepayment of the borrowings or the delivery of additional security to the extent necessary to reduce the leverage ratio to 75%.

Due to the global economic downturn and significantly reduced demand for container shipping services and containerships, combined with continued delivery of newbuildings, containership values have experienced dramatic declines in recent months. Purchase and sale transactions in the containership market have been very limited, confined primarily to small vessels and, in instances where such transactions have been completed, the prices have been significantly lower than comparable transactions in the past. No newbuilding orders have been placed for many months and many ship brokers have not been providing certificates of market value due to the disrupted market.

Due to the possibility that Global Ship Lease would exceed the maximum permitted leverage ratio under the credit facility as a result of the declines in charter-free market values of its vessels, Global Ship Lease's lenders agreed to enter into the Credit Facility Amendment. Under the Credit Facility Amendment, the maximum 75% leverage ratio will not apply until the leverage ratio is first tested after the expiration of the waiver period which is up to and including November 30, 2010. Consequently the first such test is scheduled to be as of April 30, 2011. In addition, and in connection with the purchase of the *CMA CGM Berlioz* for \$82.0 million, which was completed in August 2009, the Credit Facility Amendment permitted drawings of up to \$42.0 million under the main credit facility and up to an additional \$20.0 million as a newly created Over Advance Portion. In August, \$42.0 million was drawn under the main credit facility and \$15.0 million was drawn under the Over Advance Portion. The \$25.0 million balance of the purchase price was met from available cash. The Credit Facility Amendment provides that borrowings under the Over Advance Portion will be paid quarterly commencing November 2009 with free cash in excess of \$20.0 million determined as of the previous month end. The Over Advance Portion is required to be fully prepaid by June 30, 2010. The credit facility will be repaid quarterly commencing June 30, 2010 with free cash in excess of \$20.0 million determined as of the previous month end subject to a minimum \$40.0 million prepayment per rolling four-quarters as long as the leverage ratio is, or is deemed to be, over 75%. When the leverage ratio becomes 75% or less, scheduled repayments will be set at \$10.0 million per quarter.

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No additional indebtedness is permitted until the Over Advance Portion is repaid in full, other than for the purpose of financing the purchase of the two contracted vessels from German interests.

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If any additional capital is raised, 25% of such additional capital, net of expenses, must be used to prepay borrowings under the credit facility. This provision terminates when the repayment profile of the credit facility is reduced to 18 years or lower, based on the market value and weighted average age of the vessels. In the event of a sale of a vessel or a total loss or constructive total loss of a vessel, the proceeds received from such sale, total loss or constructive total loss must be used to prepay borrowings under the credit facility.

Further, the undrawn portion of the credit facility amounting to approximately \$200.0 million was cancelled and Global Ship Lease has agreed that it will not declare or pay any dividends to common shareholders during the waiver period or thereafter until the leverage ratio falls to 75% or below.

In connection with the Credit Facility Amendment, CMA CGM has agreed not to reduce its holding of common shares in Global Ship Lease below the current level of approximately 24.4 million common shares at least until November 30, 2010 and to defer the redemption of the \$48.0 million preferred shares until after the final maturity of the credit facility in August 2016.

General Borrowing Terms

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 depends 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 charter-free market value of the vessels securing the credit facility plus the value of other security held. The charter-free market value of a vessel is calculated semi-annually in April and November as the arithmetic average of valuations determined by two independent sale and purchase brokers acceptable to the Agent. If only one such valuation is available at the relevant time, then the result of that valuation will be used to assess the leverage ratio until a second valuation, to be sought monthly, becomes available and the two valuations can be averaged. Should no current valuations be available at the relevant time, then the leverage ratio will be assumed to be over 100%. The margin is fixed at 3.50% until the leverage ratio is first tested after November 30, 2010. Set forth below is the margin that applies for the relevant leverage ratio once the fixed margin period expires.

Leverage Ratio	Margin
Up to 65%	2.50%
Greater than 65% to 75%	3.00%
Greater than 75%	3.50%

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 hedged, prior to the Merger, the majority of the amounts outstanding under the credit facility.

Until undrawn commitments were cancelled pursuant to the Credit Facility Amendment, Global Ship Lease paid a commitment fee of 0.50% per annum on the undrawn portion of the credit facility. Global Ship Lease is responsible for the duly justified costs properly incurred in connection with the establishment and the maintenance of the credit facility.

Global Ship Lease is permitted to make early prepayments that can reduce subsequent prepayment obligations. Any amount outstanding under the credit facility at the final maturity date in August 2016 must be repaid in one installment.

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 bank accounts, and those of Global Ship Lease's subsidiaries owning vessels in the security package, which are 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;

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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;

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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.

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 supplies 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;

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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.

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' net 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. (Under the Credit Facility Amendment, \$10.0 million per quarter is the amount of debt prepayment deemed to be the scheduled prepayment for the purposes of determining debt service); and

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

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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's 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's 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.

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. In addition, the classification society will make recommendations, including imposing a timetable, for repairs following accidents and check to confirm such repairs have been effected to an acceptable standard.

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.

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Intermediate Surveys. Also referred to as extended annual surveys, intermediate surveys are typically conducted two and one-half years after (a) commissioning the vessel and (b) after each class renewal. A drydocking is usually required during the intermediate survey for inspection of underwater parts and for repairs related to inspections. However, by increasing the resilience of the underwater coating and marking the vessel's hull to accommodate in-water inspection by divers, in-water inspections may be accepted by classification societies in lieu of drydockings at intermediate surveys. If any defects are found, the classification surveyor will issue a recommendation that must be rectified by the ship-owner within prescribed time limits. A drydocking would only be required if the in-water inspection showed urgent repairs that could only be carried out in drydock. 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.

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Class Renewal Surveys. Class renewal surveys, also known as special surveys, are carried out typically every five years on the ship's hull, machinery, including the electrical plant, and any special equipment classed, at the intervals indicated by the character of classification for the hull. Vessels are required to be inspected in a drydock as part of the special survey. 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. Substantial expense may have to be incurred for steel renewals to pass a special survey if the vessel has experienced excessive wear and tear. As an alternate to carrying out all of the required inspections at the special survey every five years, a ship-owner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous basis, in which every relevant part of the vessel would be surveyed on a five year cycle. A dry-docking is still required at the fifth year anniversary to inspect underwater parts. The process of continuous class renewal spreads out the required inspections and their associated cost, whilst the vessel is still in service, and reduces the amount of inspection required each fifth year.

As a condition for obtaining insurance coverage as well as for obtaining financing from its lenders, each of Global Ship Lease's vessels needs to be certified in class by a member of the IACS. Pursuant to the terms of the asset purchase agreement, any recommendations or suspensions from class which existed at the time of sale to Global Ship Lease would need to be remedied at the sole expense of the vendor before or during the next scheduled drydocking of that vessel. Global Ship Lease is also indemnified for a period of two years from the date of the purchase of each vessel for certain losses incurred prior to the full repair of any vessel that arise out of any recommendations existing on the vessel or suspensions from class at the time of sale. Generally, 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 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 month by which the vessels in Global Ship Lease's fleet need to have completed their next drydocking:

Vessel Name	Drydocking Month*
<i>Ville d'Orion</i>	January 2012
<i>Ville d'Aquarius</i>	December 2011
<i>CMA CGM Matisse</i>	November 2014
<i>CMA CGM Utrillo</i>	December 2014
<i>Delmas Keta</i>	March 2013
<i>Julie Delmas</i>	October 2012
<i>Marie Delmas</i>	January 2012
<i>CMA CGM La Tour</i>	June 2011
<i>CMA CGM Manet</i>	October 2011
<i>Kumasi</i>	March 2012
<i>CMA CGM Alcazar</i>	November 2012
<i>CMA CGM Château d'If</i>	December 2012
<i>CMA CGM Thalassa</i>	December 2013
<i>CMA CGM Jamaica</i>	September 2011
<i>CMA CGM Sambhar</i>	July 2011
<i>CMA CGM America</i>	September 2011
<i>CMA CGM Berlioz</i>	July 2011

* Expected month of drydocking assume that the vessels of Global Ship Lease's fleet qualify for in-water inspections.

Competition

Global Ship Lease operates in markets that are highly competitive. Global Ship Lease expects to compete for vessel purchases and 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.

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Global Ship Lease expects substantial competition in obtaining new containership charters from a number of experienced and substantial companies. Many of these competitors may have greater financial resources than Global Ship Lease, and may also operate larger fleets and may be able to offer better charter rates. Due to the industry downturn, there are an increasing number of vessels available for charter, including many from owners with strong reputations and experience. The lack of available financing and excess supply of vessels in the container shipping market results in a more active short-term charter market and greater price competition for charters. As a result of these factors, Global Ship Lease may be unable to purchase additional containerships, expand its relationships with CMA CGM or to obtain new charterers on a profitable basis, if at all, which would have a material adverse effect on its business, results of operations and financial condition.

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 Delmas Keta, Julie Delmas, Kumasi and Marie Delmas are not compliant with all United States, Canadian and Panama Canal regulations, as the 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 penalties, 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 changed frequently 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 effect 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 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

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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

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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, nitrogen oxide, carbon dioxide and particulate matter 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 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 fleet, from those flag states. As of December 31, 2009, all of the vessels in the fleet had IAPP Certificates. On July 21, 2008, the United States enacted the Maritime Pollution Protection Act of 2008, implementing Annex VI in territorial waters of the United States. Once the president delivers the instrument of ratification to the IMO, the United States will become a party to Annex VI within 90 days. On October 9, 2008, the Member States of the IMO adopted amendments to Annex VI creating more stringent standards for engines and fuels. The main changes to MARPOL Annex VI will see a progressive reduction in sulphur oxide (SOx) emissions from ships, with the global sulphur cap reduced initially to 3.50% (from the current 4.50%), effective from 1 January 2012; then progressively to 0.50 %, effective from 1 January 2020, subject to a feasibility review to be completed no later than 2018.

The limits applicable in Sulphur Emission Control Areas (SECAs) will be reduced to 1.00%, beginning on 1 July 2010 (from the current 1.50 %); being further reduced to 0.10 %, effective from 1 January 2015.

Progressive reductions in nitrogen oxide (NOx) emissions from marine engines were also agreed, with the most stringent controls on so-called Tier III engines, i.e. those installed on ships constructed on or after 1 January 2016, operating in Emission Control Areas.

These requirements could require modifications to Global Ship Lease's vessels to achieve compliance. Global Ship Lease is evaluating these requirements and the alternatives for achieving compliance. The costs to comply with these requirements may be material or significant to the company's operations.

The operation of Global Ship Lease's 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 ship-owners 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 ship-owner 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 December 31, 2009, each of the vessels in the 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 gross tonnage of the world's merchant shipping. The BWM Convention has not yet been ratified by the required number of states to come into force. The IMO has indicated that it may seek to postpone the deadline for inclusion of ballast water treatment facilities on newly built ships to the end of 2011. Please see Ballast Water Management, below, for a discussion of possible impacts of increased ballast water management regulation.

In 2001, the IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, which imposes strict liability on ship owners for pollution damage in jurisdictional waters of convention states caused by discharges of Bunker Oil. The Bunker Convention defines Bunker Oil as any hydrocarbon mineral oil, including lubricating oil, used or intended to be used for the operation or propulsion of the ship, and any residues of such oil. The Bunker Convention also requires registered owners of ships over a certain size to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended). The Bunker Convention took effect on November 21, 2008.

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On September 17, 2008, the International Convention on the Control of Harmful Anti-fouling Systems on Ships, or AFSC, came into force. It prohibits the use of harmful organo-tins in anti-fouling paints used on ships and will establish a mechanism to prevent the potential future use of other harmful substances in anti-fouling systems. Our vessels are required to obtain certification of compliance.

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 to 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 owned or 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.

On July 1, 2009 the United States Coast Guard by Interim Rule increased the limits of the liability of responsible parties with effect from July 31, 2009. For any non-tank vessel, the new limits on liability are the greater of \$1,000 per gross ton or \$854,400. 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

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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. 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 ship-owner 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 are likely to enter 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 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.

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In addition, Title VII of the Coast Guard and Maritime Transportation Act of 2004, or CGMTA, 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 has plans to comply with the requirements of the CGMTA and OPA. Global Ship Lease's vessels that call at U.S. ports have appropriate vessel response plans filed with the United States Coast Guard and copies are available onboard.

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.

Ballast Water Management

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 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.

In the absence of federal standards, states have enacted legislation or regulations to address invasive species through ballast water and hull cleaning management and permitting requirements. For example, Michigan has approved a law requiring vessels to obtain a ballast water discharge permit to operate in state waters and use certain technologies to prevent the introduction of non-native species into waters of the state. The Michigan Department of Environmental Quality has approved four options for ballast water treatment that involve sodium hypochlorite, chlorine dioxide, ultraviolet light radiation, or de-oxygenation. The use of these technologies may be costly for oceangoing vessels operating in Michigan ports to implement. The Sixth Circuit rejected a challenge to this law in November 2007, and it is unclear if it will be challenged on other grounds.

Similarly, on October 10, 2007, the California governor signed into law legislation, or A.B. 740, expanding the state's marine invasive species ballast water regulatory program (A.B. 433, California's Marine Invasive Species Act, which regulates the discharge and/or exchange of ballast water of vessels coming from outside the exclusive economic zone into a California port) to regulate hull fouling organisms. A.B. 740 gives the State Lands Commission until 2012 to adopt regulations requiring vessels owners and operators to use best available and economically feasible inwater technology to remove aquatic species from submerged parts of vessels. Until the regulations can be implemented, A.B. 740 specifies that hull fouling organisms, such as barnacles, algae, mussels, and worms that attach to the hard parts of ships, must be removed and disposed of on a regular basis. Furthermore, on October 15, 2007, the California State Lands Commission approved regulations governing the discharge of ballast water for vessels operating in California waters, which among other things, sets limits for the number of living organisms allowed in ballast water discharge. The regulations will be implemented on a graduated time schedule beginning on January 1, 2009, with a final performance standard of zero detectable living organisms going into effect on January 1, 2020. Other states may create other similar hull cleaning regulations or ballast water performance standards that could increase the costs of operating in state waters of the United States.

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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. EPA's appeal failed and the Ninth Circuit Court of Appeals upheld the District Court's ruling on July 23, 2008. In response, EPA issued a Vessel General Permit, or the VGP, covering the discharges incidental to the operation of vessels greater than 79 feet in length on December 18, 2008. Vessels must comply with the VGP by February 6, 2009. The VGP requires the use of Best Management Practices, inspections, and monitoring of the areas of the vessel the permit addresses. States may also add additional conditions. For example, California requires that all vessel discharges in its waters comply with numeric effluent limitations.

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.

Clean Air Act

The Federal Clean Air Act of 1970, as amended by the Clean Air Act Amendments of 1977 and 1990, or the CAA, requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. The company's vessels are subject to vapor control and recovery requirements when cleaning fuel tanks and conducting other operations in regulated port areas and emissions standards for compression-ignition marine engines operating in U.S. waters. These types of engines are called Category 3 marine diesel engines and are typically found on large oceangoing vessels. These rules are currently limited to new engines beginning with the 2004 model year. More recently, in November 2007, the EPA issued an Advance Notice of Proposed Rulemaking regarding its plan to propose more stringent emission standards and other related provisions for new Category 3 marine engines. The standards under consideration are consistent with the U.S. Government's proposal to amend Annex VI of MARPOL discussed above, by establishing more stringent standards for vessel emissions of particulate matter, sulfur oxides, and nitrogen oxides. Certain emission standards under consideration could take effect as early as 2011. This announcement comes as the EPA is defending a lawsuit seeking to require new limits for emissions from Category 3 marine diesel engines on U.S. and foreign-flagged vessels operating in U.S. waters. If these amendments are implemented and apply to existing vessels (as opposed to vessels manufactured after the effective date), we may incur costs to install equipment in these vessels to comply.

The CAA also requires states to draft State Implementation Plans, or SIPs, designed to attain national health-based air quality standards in primarily major metropolitan and/or industrial areas. Where states fail to present approvable SIPs or SIP revisions by certain statutory deadlines, the federal government is required to draft a Federal Implementation Plan. Several SIPs regulate emissions resulting from degassing operations by requiring the installation of vapor control equipment on vessels. A risk exists that new regulations could require significant capital expenditures and otherwise increase our costs.

After a previous attempt to regulate the emissions of auxiliary diesel engines on ocean-going vessels was rejected by the Ninth Circuit, California's Air Resources Board, or CARB, approved new regulations on July 24, 2008. These regulations apply to ocean-going vessels' main diesel engines, auxiliary engines, and auxiliary boilers when operating within 24 miles of the California coast and require operators to use low sulfur fuels. The Office of Administrative Law approved the rulemaking and filed it with the Secretary of State on May 29, 2009. The regulation became effective on June 28, 2009.

California also approved regulations on December 3, 2008 to reduce emissions from diesel auxiliary engines on certain ocean-going vessels while in California ports, including container ship fleets that make 25 or more annual visits to California ports. The regulations became effective January 2, 2009 and require vessel operators to either (1) turn off auxiliary engines for most of their stay and connect the vessel to some other source of power, most likely a shore-based grid, or (2) use alternative control techniques to achieve equivalent emission reductions. These requirements may increase operating costs while in California ports.

European Union

In waters of the European Union, or the EU, the company's vessels are subject to regulation EU-level directives implemented by the various nations through laws and regulations of these requirements. These laws and regulations prescribe measures to prevent pollution, protect the environment, and support maritime safety. For instance, the EU has adopted directives that require member states to refuse access to their ports to certain sub-standard vessels, according to vessel type, flag, and number of previous detentions. Member states must inspect at least 25% of vessels using their ports annually and provide increased surveillance of vessels posing a high risk to maritime safety or the marine environment. If deficiencies are found that are clearly hazardous to safety, health or the environment, the state is required to detain the vessel until the

deficiencies are addressed. Member states are also required to implement a system of penalties for breaches of these standards.

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Our vessels are also subject to inspection by appropriate classification societies. Classification societies typically establish and maintain standards for the construction and classification of vessels, supervise that construction is according to these standards, and carry out regular surveys of ships in service to ensure compliance with the standards. The EU has adopted directives that provide member states with greater authority and control over classification societies, including the ability to seek to suspend or revoke the authority of classification societies that are negligent in their duties. The EU requires member states to monitor these organizations' compliance with EU inspection requirements and to suspend any organization whose safety and pollution prevention performance of the organization becomes unsatisfactory.

The EU's directive on the sulfur content of fuels restricts the maximum sulfur content of marine fuels used in vessels operating in EU member states' exclusive economic zones. Under this Directive, our vessels may need to make expenditures to comply with the sulfur fuel content limits in the marine fuel they use in order to avoid delays or other obstructions to their operations. The EU has also issued a directive adopting the IMO's standards for the maximum sulfur content of marine fuels used in special SOx Emission Control Areas, or ECAs, in the Baltic Sea, North Sea, and for any other seas or ports the IMO may designate as SOx ECAs 12 months after the date of entry into force of the designation. These and other related requirements may increase our costs of operating and may affect financial performance.

In response to the sinking of the MT Prestige and resulting oil spill in 2003, the EU adopted a directive requiring member states to impose criminal sanctions for certain pollution discharges committed intentionally, recklessly, or by serious negligence. Penalties may include fines, imprisonment, permanent or temporary disqualification from engaging in commercial activities, placement under judicial supervision, or exclusion from access to public benefits or aid.

The EU also authorizes member states to adopt the IMO's Bunker Convention, discussed above, that imposes strict liability on ship owners for pollution damage caused by spills of oil carried as fuel in vessels' bunkers and requires vessels of a certain size to maintain financial security to cover any liability for such damage.

The EU is currently considering other proposals to further regulate vessel operations. In October 2007, the EU adopted a new Integrated Maritime Policy for the European Union that included, in part, the development of environmentally sound end-of-life ship dismantling requirements, promotion of the use of shore-side electricity by ships at berth in EU ports to reduce air emissions, and consideration of options for EU legislation to reduce greenhouse gas emissions from maritime transport. Individual countries in the EU may also have additional environmental and safety requirements. 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. The trend, however, is towards increasing regulation and our expectation is that requirements will become more extensive and more stringent. Were more stringent future requirements to be put in effect in the future, they may require, individually or in the aggregate, significant expenditures and could increase our costs of operating, potentially affecting financial performance.

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's vessels operate in the territorial waters of such countries or enter their ports, the relevant 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 the company's costs to operate its fleet. These requirements, however, would apply to the industry as a whole and would also affect Global Ship Lease's competitors.

Greenhouse Gas Legislation

In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change, or the Kyoto Protocol, entered into force. Pursuant to the Kyoto Protocol, adopting countries are required to implement national programs to reduce emissions of certain gases, generally referred to as greenhouse gases, which are suspected of contributing to global warming. Greenhouse gas emissions from international shipping are not expressly excluded from the Kyoto Protocol though are not included in the Annex 1 countries' national targets. The Protocol directs those countries to pursue limitation and reduction measures through the IMO. The European Union confirmed in April 2007 and in 2009 that it plans to expand the European Union emissions trading scheme (ETS) by adding vessels. The 2009 ETS Directive requires the EU to propose an alternate plan to reduce shipping emissions if agreement is not reached by the IMO by December 2011. In the United States, the California Attorney General and a coalition of environmental groups petitioned the EPA in October 2007 to regulate greenhouse gas emissions from ocean-going ships under the Clean Air Act. Legislation has been introduced into the U.S. Congress to reduce greenhouse gas emissions in the United States. In addition, EPA's December 2009 endangerment finding regarding greenhouse gases allows the EPA to begin regulating

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greenhouse gas emissions under existing provisions of the federal Clean Air Act. To date, rules proposed by EPA pursuant to this authority have not involved ocean-going vessels. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, or individual countries where we operate that restrict emissions of greenhouse gases from vessels could require us to make significant financial expenditures we cannot predict with certainty at this time.

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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 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 an inherent possibility of marine disaster, including oil spills and other environmental damages, other 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.

Hull & Machinery, Loss of Hire and War Risks Insurance

Global Ship Lease maintains marine hull and machinery and war risks insurances, which cover 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 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 which in the event of total loss or constructive total loss of a vessel, Global Ship Lease will be entitled to recover amounts otherwise not recoverable under its basic hull and machinery or war policies 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 there from.

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Global Ship Lease generally does not obtain loss-of-hire insurance covering the loss of revenue during extended off-hire periods. 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.

C. Organizational Structure

The holding company, Global Ship Lease, Inc., is a Marshall Islands corporation. Each vessel is owned by a directly held separate wholly owned subsidiary. Sixteen vessels are owned by companies incorporated in Cyprus and one is held by a Marshall Islands company. In addition, Global Ship Lease Services Limited, a company incorporated in England and Wales and which is directly wholly owned by the holding company, provides administrative services to the group.

D. Property, Plants and Equipment

Global Ship Lease's only material properties are the vessels in its fleet, which are described in Item 4.B. Global Ship Lease does not own any real property.

Item 5. Operating and Financial Review and Prospects

A. Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations

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 Annual Report. 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 before they were purchased by Global Ship Lease. 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. Further, as a result of the Merger between Global Ship Lease and Marathon on August 14, 2008, the combined financial statements for the years ended December 31, 2009 and 2008 are not comparable to prior periods, primarily as a result of the change in the capital and legal structure of the company and the effect of the purchase price allocation in connection with the Merger on periods subsequent to August 14, 2008. The period from January 1 to August 14, 2008 is described as Predecessor and August 15 to December 31, 2008 as Successor.

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 sold the 10 secondhand vessels to Global Ship Lease, and the dates in January 2008 that CMA CGM sold the two newly built vessels to Global Ship Lease;

the results and financial position of the 10 secondhand vessels and the two newly built vessel