COSTAMARE INC.
CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Costamare Inc.

We have audited the accompanying consolidated balance sheets of Costamare Inc. as of December 31, 2008 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Costamare Inc. at December 31, 2008 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

Athens, Greece
June 30, 2010
(except for Note 16(i) as to which the date is July 20, 2010 and Notes 16(j) and 16(k), as to which the date is October 19, 2010).

COSTAMARE INC.

Consolidated Balance Sheets
As of December 31, 2008 and 2009
(Expressed in thousands of U.S. dollars)

	2008	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 90,262	$ 12,282
Restricted cash	4,495	4,248
Receivables	1,096	3,135
Inventories (Note 5)	12,587	11,479
Due from related parties (Note 3)	4,957	419
Fair value of derivatives (Note 14)	2,636	44
Insurance claims receivable	3,148	676
Accrued charter revenue	218	3,218
Prepayments and other	2,096	1,665
Investments	-	8,188
Vessels held for sale	-	2,951
Total current assets	121,495	48,305
FIXED ASSETS, NET:		
Advances for vessel acquisitions (Note 3)	-	94,455
Vessels, net (Note 6)	1,572,116	1,465,644
Total fixed assets, net	1,572,116	1,560,099
OTHER NON CURRENT ASSETS:		
Investments (Note 4)	35,864	6,190
Deferred charges, net (Note 7)	34,408	27,519
Due from related companies (Note 3)	7,887	7,887
Restricted cash	43,056	40,252
Accrued charter revenue	674	20,048
Total assets	$ 1,815,500	$ 1,710,300
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 8)	$ 94,735	$ 93,856
Accounts payable	3,826	8,822
Due to related parties (Note 3)	270	7,253
Accrued liabilities	14,803	6,356
Unearned revenue (Note 9)	6,618	2,136
Fair value of derivatives (Note 14)	32,657	52,305
Dividends payable (Note 1)	131,000	10,000
Other current liabilities (Note 10)	3,625	2,543
Total current liabilities	287,534	183,271
NON-CURRENT LIABILITIES:		
Long-term debt, net of current portion (Note 8)	1,435,213	1,341,737
Fair value of derivatives, net of current portion (Note 14)	99,685	28,855
Unearned revenue, net of current portion	3,818	1,215
Total non-current liabilities	1,538,716	1,371,807
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common Stock (Note 11)	-	-
Additional paid-in capital	325,482	372,034
Other comprehensive loss	(103,369)	(60,648)
Retained earnings (accumulated deficit)	(232,863)	(156,164)
Total stockholders' equity/(deficit)	(10,750)	155,222
Total liabilities and stockholders' equity/(deficit)	$ 1,815,500	$ 1,710,300

The accompanying notes are an integral part of these consolidated financial statements.

COSTAMARE INC.

Consolidated Statement of Income
For the years ended December 31, 2007, 2008 and 2009
(Expressed in thousands of U.S. dollars)

	2007	2008	2009
REVENUES:			
Voyage revenue	$ 370,121	$ 426,348	$ 399,939
EXPENSES:			
Voyage expenses	(2,780)	(3,735)	(3,075)
Vessels' operating expenses	(124,666)	(148,350)	(114,515)
General and administrative expenses	(358)	(2,238)	(1,236)
General and administrative expenses-related parties (Note 3)	(108)	(370)	(480)
Management fees-related parties (Note 3)	(11,812)	(13,541)	(12,231)
Amortization of dry-docking and special survey costs (Note 7)	(3,095)	(6,722)	(7,986)
Depreciation (Note 6)	(50,710)	(72,256)	(71,148)
Gain on sale of vessels (Note 6)	-	95	2,854
Foreign exchange gains / (losses)	(579)	235	(535)
Other income / (expenses)	(301)	37	-
Operating income	175,712	179,503	191,587
OTHER INCOME (EXPENSES):			
Interest income	3,589	5,575	2,672
Interest and finance costs (Note 12)	(62,568)	(68,420)	(86,817)
Other	188	109	3,892
Gain (loss) on derivative instruments (Note 14)	(1,498)	(16,988)	5,595
Total other income (expenses)	(60,289)	(79,724)	(74,658)
Net Income	$ 115,423	$ 99,779	$ 116,929
Earnings per common share, basic and diluted (Note 16(i))	$ 2.46	$ 2.12	$ 2.49
Weighted average number of shares, basic diluted	47,000,000	47,000,000	47,000,000

The accompanying notes are an integral part of these consolidated financial statements.

COSTAMARE INC.

Consolidated Statement of Stockholder's Equity

For the years ended December 31, 2007, 2008 and 2009

(Expressed in thousands of U.S. dollars)

	Comprehensive Income	Common Stock		Additional Paid-in Capital	Accumulated Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total
		# of shares	Par value				
BALANCE, December 31, 2006		-	-	32,110	-	414,342	446,452
- Net income	115,423	-	-	-	-	115,423	115,423
- Stockholders' contributions to predecessor companies		-	-	48,150	-	-	48,150
- Dividends paid by the predecessor companies		-	-	-	-	(88,572)	(88,572)
- Comprehensive income	115,423						
BALANCE, December 31, 2007		-	-	80,260	-	441,193	521,453
- Net income	99,779	-	-	-	-	99,779	99,779
- Stockholders' contributions to predecessor companies		-	-	20,255	-	-	20,255
- Dividends paid by the predecessor companies		-	-	-	-	(10,778)	(10,778)
- Contribution of shares of predecessor companies and the extinguishment of bank debt of predecessor companies less assets received in exchange for the issuance of 1,000,000 shares of common stock with $0.0001 par value (Note 1)		1,000,000	-	222,167	-	(363,057)	(140,890)
- Distribution to Stockholders in connection with the MSA (Note 1)		-	-	-	-	(400,000)	(400,000)
- Unrealized loss on cash flow hedges and unrealized gain on securities available for sale, net	(103,369)	-	-	-	(103,369)	-	(103,369)
- Stockholders' contributions		-	-	2,800	-	-	2,800
- Comprehensive loss	(3,590)						
BALANCE, December 31, 2008		1,000,000	-	325,482	(103,369)	(232,863)	(10,750)
- Net income	116,929	-	-	-	-	116,929	116,929
- Contribution of shares of Uriza Shipping Co. (Note 1)		-	-	46,552	-	-	46,552
- Dividends declared		-	-	-	-	(40,230)	(40,230)
- Unrealized gain on cash flow hedges and unrealized gain on securities available for sale, net	42,721	-	-	-	42,721	-	42,721
- Comprehensive income	159,650						
BALANCE, December 31, 2009		1,000,000	-	372,034	(60,648)	(156,164)	155,222

The accompanying notes are an integral part of these consolidated financial statements.

COSTAMARE INC.

Consolidated Statements of Cash Flows
For the years ended December 31, 2007, 2008 and 2009
(Expressed in thousands of U.S. dollars)

	2007	2008	2009
Cash Flows from Operating Activities:			
Net income:	$ 115,423	$ 99,779	$ 116,929
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	50,710	72,256	71,148
Amortization of financing costs	190	964	746
Amortization of deferred drydocking and special survey	3,095	6,722	7,986
Amortization of unearned revenue	(6,295)	(1,636)	(3,378)
Loss (gain) on derivative instruments	1,501	16,657	(5,595)
Gain on sale of vessels	-	(95)	(2,854)
Gain on sale of investments	-	(341)	(108)
Changes in operating assets and liabilities:			
Receivables	(909)	705	(2,039)
Due from related parties	1,825	95,274	4,538
Inventories	(1,835)	(1,303)	1,108
Claims receivable	-	(3,148)	2,472
Prepayments and other	(636)	137	431
Accounts payable	2,566	(4,406)	4,996
Due to related parties	-	270	6,983
Accrued liabilities	2,908	(4,210)	(8,447)
Unearned revenue	4,682	(4,088)	(3,906)
Other liabilities	1,434	(3,779)	(692)
Drydockings	(10,095)	(23,362)	(6,051)
Accrued charter revenue	2,055	1,122	(22,374)
Net Cash provided by Operating Activities	**166,619**	**247,518**	**161,893**
Cash Flows from Investing Activities:			
Advances for vessel acquisitions	(11,500)	-	(47,903)
Vessels acquisitions / Additions to vessel cost	(246,050)	(104,194)	(8,864)
Purchase of available for sale securities	-	(56,881)	-
Proceeds from sale of available for sale of securities	-	21,674	21,421
Proceeds from the sale of vessels	-	1,100	48,157
Net Cash provided by (used in) Investing Activities	**(257,550)**	**(138,301)**	**12,811**
Cash Flows from Financing Activities:			
Stockholders' contributions	48,150	23,055	-
Proceeds from long-term debt	246,100	1,161,413	30,000
Repayment of long-term debt	(111,996)	(734,391)	(124,355)
Payment of financing costs	(583)	(4,387)	(150)
Dividends paid to stockholders of predecessor companies	(88,572)	(10,778)	-
Dividends paid	-	-	(30,230)
Debt repaid, net of assets acquired in reorganization (Note 1)	-	(140,890)	-
Distribution paid to stockholders with reorganization (Note 1)	-	(269,000)	(131,000)
(Increase) decrease in restricted cash	-	(47,551)	3,051
Net Cash provided by (used in) Financing Activities	**93,099**	**(22,529)**	**(252,684)**
Net increase / (decrease) in cash and cash equivalents	**2,168**	**86,688**	**(77,980)**
Cash and cash equivalents at beginning of the year	**1,406**	**3,574**	**90,262**
Cash and cash equivalents at end of the year	**$ 3,574**	**$ 90,262**	**$ 12,282**
SUPPLEMENTAL CASH INFORMATION			
Cash paid during the year for interest, net of amounts capitalized	$ 64,560	$ 71,376	$ 52,176
Non-cash financing activities:			
Fair value of charters assumed in acquisition of vessels	$ 4,800	$ 2,000	$ -

The accompanying notes are an integral part of these consolidated financial statements.

1. Basis of Presentation and General Information:

Costamare Inc. ("Costamare"), a Marshall Islands corporation was incorporated on April 21, 2008, as part of a reorganization to acquire the ownership interest in 53 ship-owning companies (collectively the "predecessor companies") owned by the Konstantakopoulos Family (Vasileios Konstantakopoulos and his three sons Konstantinos Konstantakopoulos, Achillefs Konstantakopoulos and Christos Konstantakopoulos, together the "Family"). Unless otherwise indicated, references hereafter to the "Company" refer to Costamare Inc. and any one or more of its subsidiaries or their predecessors, or to such entities collectively.

The Family as shareholders of 53 predecessor companies and 53 predecessor companies along with Costamare Shipping Company S.A. ("Costamare Shipping" or "Manager"), a ship management company wholly owned by Vasileios Konstantakopoulos, as agent for the Family and 53 predecessor companies entered, as of May 30, 2008, into a Master Sales Agreement ("MSA") with Costamare in respect of the above mentioned reorganization. Under the MSA, the Family agreed to sell shares or vessels of each of the predecessor companies to Costamare or to newly formed subsidiaries of Costamare, at Costamare's option, by April 30, 2009. As a result, subsidiaries of Costamare acquired 28 vessels and part of their related assets from 28 of the predecessor companies and assumed or repaid related bank debt and other liabilities and Costamare acquired the shares of each of 25 predecessor companies during the period from June 25 to November 20, 2008; in return Costamare made a distribution to the shareholders of the predecessor companies totaling $400,000 through Costamare Shipping, as agent for the sellers ($269,000 of which was paid as of December 31, 2008 and $131,000 during the period from January 1, 2009 to April 23, 2009). In addition, Costamare agreed to assume Costamare Shipping's guarantees with respect to the performance of 22 charters and 6 loans of subsidiaries.

As the Family is the sole shareholder of Costamare, holding all of the issued and outstanding share capital of Costamare which consists of 1,000,000 shares, par value of $0.0001 each, and previously owned 100% of the predecessor companies, there is no change in ownership or control of the business, and therefore the transaction constitutes a reorganization of companies under common control, and is accounted for in a manner similar to a pooling of interests. Accordingly, the financial statements of the predecessor companies along with Costamare from the date of its inception have been presented using combined historical carrying costs of the assets and liabilities of the predecessor companies, and present the consolidated financial position and results of operations as if Costamare and its wholly owned subsidiaries and the predecessor companies (collectively referred to as the Company) were consolidated for all periods presented.

In June 2009 the Family, being the shareholders of Uriza Shipping Co., owner of a vessel under construction (Note 16(e)), transferred their shares of Uriza Shipping Co. to the Company. Since the Family was the ultimate shareholder of Uriza Shipping Co. before and after the transfer of shares the transaction was accounted for at historical cost.

As of December 31, 2008 and 2009 the Company owned and operated a fleet of 52 and 44 container vessels with a total carrying capacity of approximately 224,692 TEU and 214,117 TEU, respectively, through wholly-owned subsidiaries incorporated in the Republic of Liberia, providing worldwide marine transportation services by chartering its container vessels to some of the world's leading liner operators under long, medium and short-term time charters.

At December 31, 2009, Costamare has fourteen wholly-owned subsidiaries, all incorporated in the Republic of Liberia out of which ten sold their vessels in 2009 and became dormant, three were established in 2008 to be used for future vessel acquisitions and one owns a vessel under construction.

1. Basis of Presentation and General Information (continued):

As of December 31, 2009, the Company is comprised of Costamare and the following wholly-owned subsidiaries:

	Subsidiary	Vessel Name
1.	Achilleas Maritime Corporation	Maersk Kobe
2.	Alexia Transport Corp.	Zim Piraeus
3.	Angistri Corporation	Zim New York
4.	Bullow Investments Inc.	MSC Mykonos
5.	Burton Shipping Co.	MSC Sudan
6.	Capetanissa Maritime Corporation	Cosco Beijing
7.	Caravokyra Maritime Corporation	Cosco Hellas
8.	Christos Maritime Corporation	Sealand Washington
9.	Cornas Shipping Co.	MSC Mexico
10.	Costachille Maritime Corporation	Cosco Yantian
11.	Costis Maritime Corporation	Sealand New York
12.	Denor Shipping Co.	Horizon
13.	Dino Shipping Co.	Sealand Michigan
14.	Douro Shipping Co.	MSC Germany (Note 6)
15.	Fanakos Maritime Corporation	Oakland Express
16.	Fastsailing Maritime Co.	Zim Shanghai
17.	Flow Shipping Co.	New York Express
18.	Grappa Shipping Co.	Cap Akritas
19.	Guildmore Navigation S.A.	MSC Austria (ex. Maersk Toyama)
20.	Honaker Shipping Company	MSC Washington
21.	Kalamata Shipping Corporation	Maersk Kolkata
22.	Kelsen Shipping Co.	Maersk Kure
23.	Lang Shipping Co.	Hyundai Challenger
24.	Lege Shipping Co.	MSC Fado (ex. Westmed II)
25.	Lytton Shipping Co.	Garden
26.	Marathos Shipping Inc.	MSC Mandraki
27.	Marina Maritime Corporation	Cosco Ningbo
28.	Marvista Maritime Inc.	MSC Kyoto
29.	Mas Shipping Co.	Maersk Kokura
30.	Mera Shipping Co.	MSC Sierra
31.	Merin Shipping Co.	Gather
32.	Merten Shipping Co.	Maersk Kalamata
33.	Miko Shipping Co.	Sealand Illinois
34.	Montes Shipping Co.	Maersk Kawasaki
35.	Navarino Maritime Corporation	Maersk Kingston
36.	Nigel Shipping Co.	MSC Sicily
37.	Ray Shipping Co.	MSC Tuscany
38.	Rena Maritime Corporation	Cosco Guangzhou

1. Basis of Presentation and General Information (continued):

	Subsidiary	Vessel Name
39.	Sea Elf Maritime Inc.	MSC Toba
40.	Sims Shipping Co.	MSC Namibia
41.	Takoulis Maritime Corporation	Singapore Express
42.	West End Shipping Co. Ltd.	MSC Antwerp (ex. Sophia Britannia)
43.	Venor Shipping Co.	Genius (acquired in 2009)
44.	Volk Shipping Co.	Gifted (acquired in 2009)
45.	Uriza Shipping Co.	Hull 1512A (Note 16(e))
46.	Warrick Shipping Co.	Liguria (sold in 2009)
47.	Royce Shipping Co.	Gem (sold in 2009)
48.	Ronda Shipping Co.	MSC Togo (sold in 2009)
49.	Mabel Shipping Co.	City Of Glasgow (sold in 2009)
50.	Idea Shipping Co.	MSC Venice (sold in 2009)
51.	Erin Shipping Co.	Gentle (sold in 2009)
52.	Dome Shipping Co.	MSC Yokohama (sold in 2009)
53.	Davies Shipping Co.	MSC Antwerp (sold in 2009)
54.	Convey Shipping Co.	MSC Austria (sold in 2009)
55.	Brookes Shipping Co.	MSC Romania II (sold in 2009)
56.	Simone Shipping Co.	
57.	Cagney Shipping Co.	
58.	Madelia Shipping Co.	

2. Significant Accounting Policies and Recent Accounting Pronouncements:

(a) Principles of Consolidation: The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The consolidated financial statements include the accounts of Costamare and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

Costamare as the holding company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity. Under ASC 810 "Consolidation," (formerly ARB No. 51) a voting interest entity is an entity in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make financial and operating decisions. The Holding Company consolidates voting interest entities in which it owns all, or at least a majority (generally, greater than 50%) of the voting interest.

Variable interest entities ("VIE") are entities as defined under Statement of Financial Accounting Standards ("SFAS") No. 46(R), "Consolidation of Variable Interest Entities", that in general either do not have equity investors with voting rights or that have equity investors that do not provide sufficient financial resources for the entity to support its activities. A controlling financial interest in a VIE is present when a company absorbs a majority of an entity's expected losses, receives a majority of an entity's expected residual returns, or both. The company with a controlling financial interest, known as the primary beneficiary, is required to consolidate the VIE. The Company evaluates all arrangements that may include a variable interest in an entity to determine if it may be the primary beneficiary, and would be required to include assets, liabilities and operations of a VIE in its consolidated financial statements. As of December 31, 2008 and 2009, no such interest existed.

2. Significant Accounting Policies and Recent Accounting Pronouncements (continued):

(b) ***Use of Estimates:*** The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) ***Other Comprehensive Income (loss):*** The Company follows the provisions of ASC 220 Comprehensive Income (formerly SFAS No. 130), which requires separate presentation of certain transactions, which are recorded directly as components of stockholders' equity. For the year ended December 31, 2007, the Company had no such transactions which affected comprehensive income / (loss) and, accordingly, comprehensive income was equal to net income. In 2008 other comprehensive income decreased with losses of $103,369 and in 2009 other comprehensive income increased with gains of $42,721 relating to the change of the fair value of derivatives that qualify for hedge accounting and the fair value of bonds. For the year ended December 31, 2008, comprehensive loss amounted to $3,590 and for the year ended December 31, 2009, comprehensive income amounted to $159,650.

(d) ***Foreign Currency Translation:*** The functional currency of the Company is the U.S. dollar because the Company's vessels operate in international shipping markets, and therefore primarily transact business in U.S. dollars. The Company's books of accounts are maintained in U.S. dollars. Transactions involving other currencies during the year are converted into U.S. dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities, which are denominated in other currencies, are translated into U.S. dollars at the year-end exchange rates. Resulting gains or losses are reflected separately in the accompanying consolidated statements of income.

(e) ***Cash and Cash Equivalents:*** The Company considers highly liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents.

(f) ***Restricted Cash:*** Restricted cash is additional minimum cash deposits required to be maintained with certain banks under the Company's borrowing arrangements. Restricted cash includes bank deposits and deposits in so-called "retention accounts" that are required under the Company's borrowing arrangements which are used to fund the loan installments coming due. The funds can only be used for the purposes of loan repayment.

(g) ***Receivables:*** The amount shown as receivable, at each balance sheet date, includes receivables from charterers for hire, net of any provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. No provision for doubtful accounts has been established as of December 31, 2008 and 2009.

(h) ***Inventories:*** Inventories consist of bunkers, lubricants and spare parts (propellers and tail shafts) which are stated at the lower of cost or market. Cost is determined by the first in, first out method.

(i) ***Insurance Claims Receivable:*** The Company records insurance claim recoveries for insured losses incurred on damage to fixed assets and for insured crew medical expenses. Insurance claim recoveries are recorded, net of any deductible amounts, at the time the Company's fixed assets suffer insured damages or when crew medical expenses are incurred, recovery is probable under the related insurance policies, and the claim is not subject to litigation.

(j) ***Available-for-Sale Securities:*** Investments consisting of marketable government bonds (see Note 4) are classified as available-for-sale securities, and reported at fair value as determined based on quoted market prices. Those investments with maturities of less than one year from the balance sheet date are considered short-term investments. Investments with maturities greater than one year from the balance sheet date are considered long-term investments. Unrealized gains and losses are reported in Accumulated other comprehensive income, with realized gains and losses recognized upon sale of the security and reported in investment income.

2. Significant Accounting Policies and Recent Accounting Pronouncements (continued):

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

The cost of each of the Company's vessels is depreciated from the date of acquisition on a straight-line basis over the vessel's remaining estimated economic useful life, after considering the estimated residual value which is equal to the product of vessels' lightweight tonnage and estimated scrap rate (in the range of $0.150 to $0.250 per ton). Management estimates the useful life of the Company's vessels to be 30 years from the date of initial delivery from the shipyard. Secondhand vessels are depreciated from the date of their acquisition through their remaining estimated useful life. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, its remaining useful life is adjusted at the date such regulations are adopted.

(l) ***Accrued Charter Revenue/Unearned Revenue:*** The Company records identified assets or liabilities associated with the acquisition of a vessel at fair value, determined by reference to market data. The Company values any asset or liability arising from the market value of the time charters assumed when a vessel is acquired from entities that are not under common control. This policy does not apply when a vessel is acquired from entities that are under common control. The amount to be recorded as an asset or liability at the date of vessel delivery is based on the difference between the current fair market value of the charter and the net present value of future contractual cash flows. When the present value of the contractual cash flows of the time charter assumed is greater than its current fair value, the difference is recorded as accrued charter revenue. When the opposite situation occurs, any difference, capped to the vessel's fair value on a charter free basis, is recorded as unearned revenue. Such assets and liabilities, respectively, are amortized as a reduction of, or an increase in, revenue over the period of the time charter assumed.

(m) ***Impairment of Long-Lived Assets:*** The Company uses ASC 360 "Property plant and equipment" (formerly SFAS No. 144), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The standard requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

As of December 31, 2009, the Company concluded that events occurred and circumstances had changed, which triggered the existence of potential impairment of its long-lived assets. These indicators included deterioration in the spot market, vessels' market values and the potential impact the current marketplace may have on its future operations. As a result, the Company performed an impairment assessment of the Company's long-lived assets by comparing the undiscounted projected net operating cash flows for each vessel to their carrying value. The Company's strategy is mainly to charter its vessels under long term, fixed rate time charters, providing the Company with contracted future cash flows. The significant factors and assumptions the Company used in its undiscounted projected net operating cash flow analysis included, among other things, voyage revenues, off-hire days, drydocking and special survey costs, operating expenses and management fee estimates. Revenue assumptions were based on contracted time charter rates up to the end of the fixed charter term of the current charter of each vessel, plus, historical average time charter rates for the remaining life of the vessel after the fixed charter term. In addition, the Company used an annual operating expenses inflation factor and estimations of scheduled and unscheduled off-hire days based on historical experience.

The Company's assessment concluded that step two of the impairment analysis was not required and no impairment of vessels existed as of December 31, 2009, as the undiscounted projected net operating cash flows per vessel exceeded the carrying value of each vessel. No impairment loss was recorded in 2007 and 2008.

(n) ***Reporting Assets held for sale:*** It is the Company's policy to dispose of vessels and other fixed assets when suitable opportunities occur and not necessarily to keep them until the end of their useful life. Long-lived assets classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell. These assets are not depreciated once they meet the criteria to be held for sale. At December 31, 2009, the vessel MSC Germany was classified as held for sale (Note 6).

2. Significant Accounting Policies and Recent Accounting Pronouncements (continued):

(o) ***Accounting for Special Survey and Drydocking Costs:*** The Company follows the deferral method of accounting for special survey and drydocking costs whereby actual costs incurred are deferred and are amortized on a straight-line basis over the period through the date the next survey is scheduled to become due. Costs deferred are limited to actual costs incurred at the yard and parts used in the drydocking or special survey. If a survey is performed prior to the scheduled date, the remaining unamortized balances are immediately written off. Unamortized balances of vessels that are sold are written off and included in the calculation of the resulting gain or loss in the period of the vessel's sale. Furthermore, unamortized drydocking and special survey balances of vessels that are classified as Assets held for sale and are not recoverable as of the date of such classification are immediately written off to the income statement.

(p) ***Financing Costs:*** Costs associated with new loans or refinancing of existing loans, including fees paid to lenders or required to be paid to third parties on the lender's behalf for obtaining new loans or refinancing existing loans, are recorded as deferred charges. Such fees are deferred and amortized to interest and finance costs during the life of the related debt using the effective interest method. Unamortized fees relating to loans repaid or refinanced, meeting the criteria of debt extinguishment, are expensed in the period the repayment or refinancing is made.

(q) ***Concentration of Credit Risk:*** Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and cash equivalents, accounts receivable and derivative contracts (interest rate swaps and foreign currency contracts). The Company places its cash and cash equivalents, consisting mostly of deposits, with high credit rated financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions. The Company is exposed to credit risk in the event of non-performance by counter parties to derivative instruments; however, the Company limits its exposure by diversifying among counter parties with high credit ratings. The Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its accounts receivable.

(r) ***Voyage Revenues:*** Voyage Revenues are generated from time charter agreements and are usually paid 15 days in advance. Time charter agreements with the same charterer are accounted for as separate agreements according to the terms and conditions of each agreement. Time charter revenues over the term of the charter are recorded as service is provided, when they become fixed and determinable. Revenues from time charter agreements providing for varying annual rates are accounted for as operating leases and thus recognized on a straight line basis as the average revenue over the rental periods of such agreements, as service is performed. A voyage is deemed to commence upon the completion of discharge of the vessel's previous cargo and is deemed to end upon the completion of discharge of the current cargo. Unearned revenue includes cash received prior to the balance sheet date for which all criteria to recognize as revenue have not been met, including any unearned revenue resulting from charter agreements providing for varying annual rates, which are accounted for on a straight line basis. Unearned revenue also includes the unamortized balance of the liability associated with the acquisition of second-hand vessels with time charters attached which were acquired at values below fair market value at the date the acquisition agreement is consummated.

Revenues for 2007, 2008 and 2009 derived from significant charterers as follows (in percentages of total revenues):

	2007	2008	2009
A	20%	18%	18%
B	37%	38%	38%
C	20%	15%	17%
D	11%	-	-
Total	88%	71%	73%

2. Significant Accounting Policies and Recent Accounting Pronouncements (continued):

(s) ***Voyage Expenses:*** Voyage expenses primarily consisting of port, canal and bunker expenses that are unique to a particular charter, are paid for by the charterer under time charter arrangements or by the Company under voyage charter arrangements, except for commissions, which are always paid for by the Company, regardless of charter type. All voyage and vessel operating expenses are expensed as incurred, except for commissions. Commissions are deferred over the related voyage charter period to the extent revenue has been deferred since commissions are earned as the Company's revenues are earned.

(t) ***Repairs and Maintenance:*** All repair and maintenance expenses, including underwater inspection expenses, are expensed in the year incurred. Such costs are included in vessel operating expenses in the accompanying consolidated statements of income.

(u) ***Derivative Financial Instruments:*** The Company enters into interest rate swap contracts to manage its exposure to fluctuations of interest rate risks associated with specific borrowings. Interest rate differentials paid or received under these swap agreements are recognized as part of interest expense related to the hedged debt. All derivatives are recognized in the consolidated financial statements at their fair value. On the inception date of the derivative contract, the Company designates the derivative as a hedge of a forecasted transaction or the variability of cash flow to be paid ("cash flow" hedge). Changes in the fair value of a derivative that is qualified, designated and highly effective as a cash flow hedge are recorded in other comprehensive income until earnings are affected by the forecasted transaction or the variability of cash flow and are then reported in earnings. Changes in the fair value of undesignated derivative instruments and the ineffective portion of designated derivative instruments are reported in earnings in the period in which those fair value changes have occurred. Realized gains or losses on early termination of the derivative instruments are also classified in earnings in the period of termination of the respective derivative instrument. The Company may re-designate an undesignated hedge after its inception as a hedge but then will consider its non zero value at redesignation in its assessment of effectiveness of the cash flow hedge.

The Company formally documents all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking various hedge transactions.

This process includes linking all derivatives that are designated as cash flow hedges to specific forecasted transactions or variability of cash flow.

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

The Company also enters forward exchange rate contracts to manage its exposure to currency exchange risk on certain foreign currency liabilities. The Company has not designated these forward exchange rate contracts for hedge accounting.

(v) ***Earnings per Share:*** Basic earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share, reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised. The Company had no dilutive securities outstanding during the three-year period ended December 31, 2009.

2. Significant Accounting Policies and Recent Accounting Pronouncements (continued):

(w) ***Fair Value Measurements:*** The Company adopted, as of January 1, 2008, ASC 820 "Fair Value Measurements and Disclosures" (formerly SFAS 157), which defines, and provides guidance as to the measurement of fair value. This standard creates a hierarchy of measurement and indicates that, when possible, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy gives the highest priority (Level 1) to quoted prices in active markets and the lowest priority (Level 3) to unobservable data, for example, the reporting entity's own data. Under the standard, fair value measurements are separately disclosed by level within the fair value hierarchy. The standard applies when assets or liabilities in the financial statements are to be measured at fair value, but does not require additional use of fair value beyond the requirements in other accounting principles. The statement was effective for the Company as of January 1, 2008, excluding certain non-financial assets and non-financial liabilities, for which the statement is effective for fiscal years beginning after November 15, 2008 and its adoption did not have a significant impact on the Company's financial position or results of operations (Notes 14 and 15).

ASC 825 "Financial Instruments" (formerly SFAS 159), permits companies to report certain financial assets and financial liabilities at fair value. ASC 825 was effective for the Company as of January 1, 2008 at which time the Company could elect to apply the standard prospectively and measure certain financial instruments at fair value.

The Company has evaluated the guidance contained in ASC 825, and has elected not to report any existing financial assets or liabilities at fair value that are not already so reported; therefore, the adoption of the statement had no impact on its financial position and results of operations. The Company retains the ability to elect the fair value option for certain future assets and liabilities acquired under this standard.

(x) ***Segmental Reporting:*** The Company reports financial information and evaluates its operations by charter revenues and not by the length of ship employment for its customers, i.e. spot or time charters. The Company does not use discrete financial information to evaluate the operating results for each such type of charter. Although revenue can be identified for these types of charters, management cannot and does not identify expenses, profitability or other financial information for these charters. As a result, management, including the chief operating decision maker, reviews operating results solely by revenue per day and operating results of the fleet and thus the Company has determined that it operates under one reportable segment.

(y) ***Recent Accounting Pronouncements:*** In December 2007, the Financial Accounting Standard Board (the "FASB") issued new accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. The guidance became effective for the Company for the fiscal year beginning January 1, 2009 and did not have any impact on the Company's consolidated financial statements.

In December 2007, the FASB issued guidance for business combinations designed to improve the relevance, representational fairness, comparability and information that a reporting entity provides about a business combination and its effects. The adoption of the guidance did not have any effect on the Company's consolidated financial statements.

In May 2009, the FASB issued ASC 855, "Subsequent events", which established general standards of accounting for and disclosure of events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. These standards introduce the concept of financial statements being available to be issued. The Company has adopted ASC 855 for the financial period ended December 31, 2009. The adoption of this Statement does not result in significant changes in the subsequent events that an entity reports—either through recognition or disclosure—in its financial statements. In February 2010, the FASB issued ASU 2010-09, Subsequent Events (Topic 855), which amends ASC 855 to clarify which entities are required to evaluate subsequent events through the date the financial statements are issued and the scope of the disclosure requirements related to subsequent events. The amendment removes the requirement for an SEC filer to disclose the date through which management evaluated subsequent events in both issued and revised financial statements. The amendment is effective for interim or annual periods ending after June 15, 2010. The adoption of ASU 2010-09 is not expected to have a material impact on the Company's consolidated financial statements.

2. Significant Accounting Policies and Recent Accounting Pronouncements (continued):

In June 2009, the Financial Accounting Standards Board issued ASC 860, Transfers and Servicing, (an Amendment to ASC 860) to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. This Statement must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company does not expect the adoption of ASC 860 to have an effect on the consolidated financial statements.

In June 2009, the Financial Accounting Standards Board issued ASC 810, Consolidation, to improve financial reporting by enterprises involved with variable interest entities. This Statement shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company does not anticipate the adoption of this guidance will have any impact on its financial position or results of operations.

In June 2009, the FASB issued Statement of Financial Accounting Standard No. 167 (SFAS No. 167), "Amendments to FASB Interpretation No. 46(R)", improving financial reporting by enterprises involved with variable interest entities. SFAS No. 167 is currently being processed for inclusion in the ASC 810, "Consolidation." SFAS No. 167 addresses (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" already codified in ASC 810 "Consolidation," SFAS No. 167 addresses (1) the effects on certain provisions as a result of the elimination of the qualifying special-purpose entity concept, and (2) constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. SFAS No. 167 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company does not anticipate the adoption of this guidance will have any impact on its financial position or results of operations.

In June 2009, the FASB issued revised guidance on the consolidation of VIEs. The revised guidance replaces the quantitative-based risks and rewards calculation for determining the primary beneficiary of a VIE with a qualitative approach that focuses on identifying which enterprise has a controlling financial interest in a VIE. The Company does not expect the adoption of the new guidance to have an effect on its interim consolidated unaudited statement of financial position, results of operations or cash flows. As of December 31, 2009 and 2008, no such interest existed.

In June 2009, the FASB issued "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles" (the "Statement"). The objective of the Statement is to establish the FASB Accounting Standards Codification ("Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of authority. On the effective date of this Statement, the Codification superseded all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification became non-authoritative.

2. Significant Accounting Policies and Recent Accounting Pronouncements (continued):

In January 2010, the FASB issued an Accounting Standards Update (ASU) No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving disclosures about Fair Value Measurements." The updated guidance requires new disclosures to separately disclose the amounts of significant transfers in and out of Levels 1 and 2 fair value measurements and describe the reasons for the transfers; and in the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, settlements. The updated guidance also clarifies existing disclosures related to the level of disaggregation, and disclosures about inputs and valuation techniques. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods with those fiscal years. The Company does not anticipate the adoption of this guidance will have any impact on its financial position or results of operations.

3. Transactions with Related Parties:

(a) **Costamare Shipping Company S.A.** ***(the "Manager" or "Costamare Shipping"):*** Costamare Shipping is a ship management company wholly owned by Vasileios Konstantakopoulos, (Note 16(g)) and as such is not part of the consolidated group of the Company, but is a related party, providing both the commercial and technical management of the Company's vessels flying the Greek and the Hong Kong flags, subcontracting the technical management of the latter to Shanghai Costamare Ship Management Co., Ltd. ("Shanghai Costamare"), also a related party, under separate management agreements executed between Costamare Shipping and Shanghai Costamare for each vessel in exchange for a daily fixed fee. Costamare Shipping is providing a wide range of shipping services such as technical support and maintenance, insurance consulting, financial and accounting services, under separate management agreements signed between the Manager and each vessel owning company, in exchange for a daily fixed fee. Costamare Shipping has also undertaken the commercial management of the Company's vessels flying flags other than Greek and Hong Kong under separate commercial management agreements with each respective ship-owning company. The technical management of such vessels is performed by CIEL Shipmanagement S.A. ("CIEL"), a related party company incorporated in the Republic of Liberia pursuant to separate agreements signed between each ship-owning company and CIEL in exchange for a daily fixed fee. Costamare Shipping performs its services in exchange for a daily fixed fee of $0.70 (2007: $0.70, 2008: $0.70). The management agreements may be terminated by either party giving two months' notice at any time. In addition the Manager is responsible for the commercial management of vessels flying flags other than Greek and Hong Kong at a fixed daily fee of $0.10 (2007: $0.30, 2008: $0.10). Management fees charged by the Manager in 2007, 2008 and 2009 amounted to $10,476, $10,695 and $9,521, respectively, and are included in management fees in the accompanying consolidated statements of income.

The balance due to the manager at December 31, 2009 amounted to $7,253 and is separately reflected in Due to related companies in the accompanying 2009 consolidated balance sheet. The balance due from the Manager at December 31, 2008 amounted to $2,340, and is included in Due from related companies in the accompanying 2008 consolidated balance sheet.

Furthermore, on September 5, 2008, the Company assumed from Costamare Shipping the interest rate collar swap agreement discussed in Note 14(b)(ii) at its then fair value which was a liability of $7,887. The amount is payable by Costamare Shipping within 30 months from September 5, 2008 and is separately reflected in non-current assets in the accompanying consolidated balance sheets.

3. Transactions With Related Parties (continued):

(b) ***Ciel Shipmanagement S.A. ("CIEL"):*** CIEL, a Liberian corporation, is owned 50.2% by the Company's chairman and chief executive officer and 49.8% by Dimitrios Lemonidis, CIEL's chief executive officer. As such, CIEL is not part of the consolidated group of the Company, but is a related party. CIEL provides the Company's vessels flying flags other than Greek and Hong Kong a wide range of shipping services such as technical support and maintenance, insurance consulting, financial and accounting services, under separate management agreements signed between CIEL and each vessel owning company, in exchange for a daily fixed fee of $0.60 per vessel (2007: $0.40, 2008: $0.60). The management agreements may be terminated by either party giving two months' notice at any time. Management fees charged by CIEL in 2007, 2008 and 2009 amounted to $1,336, $2,846 and $2,570, respectively, and are included in management fees in the accompanying consolidated statements of income. The balance due from CIEL at December 31, 2008 and 2009 amounted to $2,617 and $419, respectively, and is included in Due from related companies in the accompanying consolidated balance sheets. Furthermore, following the sale of Windward in November 2008 CIEL charged $20 for accounting and administrative fees and in 2009 following the sale of the vessels MSC Romania II, MSC Venice, MSC Austria, MSC Togo, Gentle and Gem and following the reflagging of Horizon charged $140 for accounting and administrative fees ($20 per vessel) which are included in Management fees in the accompanying consolidated statements of income.

(c) ***Shanghai Costamare Ship Management Co. Ltd. ("Shanghai Costamare"):*** Shanghai Costamare is owned (indirectly) 70% by the Company's chairman and chief executive officer and 30% by Zhang Lei, a Chinese national who is Shanghai Costamare's chief executive officer. Shanghai Costamare is a related company incorporated in Peoples' Republic of China in September 2004, where our chairman and chief executive officer holds 70% interest, and as such is not part of the consolidated group of the Company, but is a related party. The technical and crew management, as well as the procurement operation of certain of the Company's vessels that fly the Hong-Kong flag has been subcontracted from the Manager to Shanghai Costamare. During 2007, 2008 and 2009, Shanghai Costamare billed the Company $108, $370 and $480, respectively, for market analysis and research services which are separately reflected in the accompanying consolidated statements of income. The balance due to Shanghai Costamare at December 31, 2008 and 2009, was $270 and $nil, respectively, and is included in Due to related companies in the accompanying consolidated balance sheets.

(d) ***Vessels' sale to affiliated companies:*** In August and September 2009 the Company sold the vessels Gem and Gentle, including their charter parties, to a related company, wholly owned by Vasileios Konstantakopoulos, for $11,500 and $13,500, respectively, and realized an aggregate loss of $137 which is included in Gain (loss) on sale of vessels in the accompanying 2009 consolidated statement of income.

(e) ***Under construction vessel—Hull1512A:*** In June 2009 the Family, being the shareholders of Uriza Shipping Co., owner of under construction vessel Hull1512A, transferred their shares of Uriza Shipping Co. to the Company. The contract price amounted to $116,000 and as of December 31, 2009 the amount of $92,000 was paid to the shipyard and is included in Advances for vessel acquisitions in the accompanying 2009 consolidated balance sheet (Note 16(e)).

4. Investments:

During 2008 the Company purchased bonds issued by the US Government and by the Province of Ontario as follows:

(a) In October 2008, two bonds issued by the US Government with principal amount of $45,000 at a purchase price of $45,686 in the aggregate. The US Government bonds have Coupon rates at 2.375% and 2.000% and mature in August and September 2010, respectively. During 2008 the Company sold part of the two above mentioned US Government bonds of principal amount of $21,000 which were purchased at $21,333 and realized a gain of $341 and in 2009 the Company sold another part of the two above mentioned US Government bonds of principal amount of $21,000 with mark-to-market value as at December 31, 2008 of $21,501 and realized a gain of $108.

(b) In December 2008, two bonds issued by the Province of Ontario with principal amount of $11,000 at a purchase price of $11,195 in the aggregate. The two Province of Ontario bonds have Coupon rates at 3.125% and 2.750% and mature in September 2010 and February 2011, respectively.

4. Investments (continued):

As at December 31, 2008 the Company held the following bonds at fair value:

Issuer	Principal amount	Invested amount	Coupon rate	Maturity	Market Value December 31, 2008
Non-current assets:					
US Government	5,000	5,103	2.375%	August 31, 2010	5,195
US Government	19,000	19,250	2.000%	September 30, 2010	19,590
Province of Ontario	5,000	5,112	3.125%	September 8, 2010	5,042
Province of Ontario	6,000	6,083	2.750%	February 22, 2011	6,037
Total	35,000	35,548			35,864

As at December 31, 2009 the Company held the following bonds at fair value:

Issuer	Principal amount	Invested amount	Coupon rate	Maturity	Market Value December 31, 2009
Current assets:					
US Government	3,000	3,041	2.000%	September 30, 2010	3,051
Province of Ontario	5,000	5,112	3.125%	September 8, 2010	5,137
Total	8,000	8,153			8,188
Non-current assets:					
Province of Ontario	6,000	6,083	2.750%	February 22, 2011	6,190
Total	6,000	6,083			6,190

The total fair value change of the bonds for the period from their acquisition to December 31, 2008 amounted to an unrealized gain of $316 which is included in Other Comprehensive Income/Loss and the total fair value change of the bonds for the year ended December 31, 2009 amounted to an unrealized gain of $15 which is included in Other Comprehensive Income/Loss.

5. Inventories:

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	2008	2009
Bunkers	729	-
Lubricants	10,187	9,912
Spare parts	1,671	1,567
Total	**12,587**	**11,479**

6. Vessels, Net:

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	Vessel Cost	Accumulated Depreciation	Net Book Value
Balance, January 1, 2007	**1,734,536**	**(406,993)**	**1,327,543**
- Vessel acquisitions and other vessels' costs	250,850	-	250,850
- Depreciation	-	(50,710)	(50,710)
Balance, December 31, 2007	**1,985,386**	**(457,703)**	**1,527,683**
- Vessel acquisitions and other vessels' costs	117,694	-	117,694
- Depreciation	-	(72,256)	(72,256)
- Disposals	(5,500)	4,495	(1,005)
Balance, December 31, 2008	**2,097,580**	**(525,464)**	**1,572,116**
- Depreciation	-	(71,148)	(71,148)
- Transfer to assets held for sale	(1,810)	-	(1,810)
- Vessel acquisitions and other vessels' cost	8,864	-	8,864
- Disposals	(66,860)	24,482	(42,378)
Balance, December 31, 2009	**2,037,774**	**(572,130)**	**1,465,644**

During 2007, the Company acquired five secondhand container vessels, for an aggregate consideration of $246,050. Three of the vessels acquired were under existing time charter agreements which the Company agreed to assume through arrangements with the respective charterers. The Company, upon delivery of each of the above vessels, evaluated the charter contracts assumed and recognized a liability of $4,800 with a corresponding increase in the vessels' purchase price.

During 2007, the Company concluded two Memoranda of Agreement to acquire two secondhand container vessels, the Gem and Maersk Kokura; for $115,000 in aggregate. The Company took delivery of these two secondhand container vessels, for an aggregate cost of $115,450 ($115,000 of contract price and $450 of brokerage commission cost) during the first quarter of 2008. Both of the vessels acquired were under existing time charter agreements which the Company agreed to assume through arrangements with the respective charterers. The Company, upon delivery of each of the above vessels, evaluated the charter contracts assumed and recognized a liability of $2,000 with a corresponding increase in the vessels' purchase price.

The unamortized balance of the liability derived from the assumed charter discussed above as at December 31, 2008 and 2009 totaled $5,294 and $1,865, respectively, and is included in current and non-current Unearned revenue (Note 9).

In November 2008, the Company scrapped the vessel Windward for $1,100, net of brokerage commissions and other expenses. The realized gain of $95 is separately reflected in the accompanying 2008 consolidated statement of income.

In August and September 2009, the Company acquired the secondhand container vessels Gifted and Genius at an aggregate price of $8,270.

In August and September 2009, the Company sold the container vessels Gem and Gentle to a related company (Note 3) at a price of $11,500 and $13,500, respectively, and realized an aggregate loss of $137 which is included in Gain (loss) on sale of vessels, net in the accompanying 2009 consolidated statement of income (Note 3).

During 2009, the Company sold for scrap the container vessels MSC Austria, Liguria, City of Glasgow, MSC Togo, MSC Yokohama, MSC Venice, MSC Romania II and MSC Antwerp at an aggregate price of $23,157 and realized an aggregate capital net gain of $2,991 which is included in Gain (loss) on sale of vessels, net in the accompanying 2009 consolidated statement of income.

6. Vessels, Net (continued):

On December 17, 2009, the Company concluded a Memorandum of agreement to scrap the vessel MSC Germany at a price of $5,770. Therefore the vessel's carrying value at December 31, 2009 has been classified as Asset held for sale in current assets in the accompanying 2009 balance sheet (Note 16(a)).

As of December 31, 2009, all of the Company's vessels were operating under time charters, the last of which expires in May 2018. As of December 31, 2009, eight of the Company's vessels (excluding MSC Germany), having total carrying value of $16,781 were fully depreciated.

Thirty-five of the Company's vessels, having a total carrying value of $1,313,544 as of December 31, 2009, have been provided as collateral to secure the long-term debt discussed in Note 8.

7. Deferred Charges:

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	Financing Costs	Dry-docking and Special Survey Costs	Total
Balance, January 1, 2007	**788**	**6,164**	**6,952**
- Additions	583	10,095	10,678
- Amortization	(190)	(3,095)	(3,285)
Balance, December 31, 2007	**1,181**	**13,164**	**14,345**
- Additions	4,387	23,362	27,749
- Amortization	(498)	(6,487)	(6,985)
- Write-off	(466)	(235)	(701)
Balance, December 31, 2008	**4,604**	**29,804**	**34,408**
- Additions	150	6,051	6,201
- Amortization	(688)	(7,986)	(8,674)
- Write-off	(58)	(3,217)	(3,275)
- Transfer to asset held for sale	-	(1,141)	(1,141)
Balance, December 31, 2009	**4,008**	**23,511**	**27,519**

Financing costs represent fees paid to the lenders for the conclusion of the bank loans discussed in Note 8. The amortization of loan financing costs is included in Interest and finance costs in the accompanying consolidated statements of income and the amortization of the dry-docking and special survey costs is separately reflected in the accompanying consolidated statements of income.

During 2007, 2008 and 2009, 10 vessels, 15 vessels and 6 vessels, respectively, underwent their special survey.

8. Long-Term Debt:

The amounts shown in the accompanying consolidated balance sheets are analyzed as follows:

	Borrower(s)	2008	2009
1.	**Credit Facility**	923,413	881,758
2.	**Term Loans:**		
1.	Lang Shipping Co	8,600	4,900
2.	Dino Shipping Co	35,000	-
3.	Mera Shipping Co., Convey Shipping Co., Douro Shipping Co., Cornas Shipping Co.	12,835	6,135
4.	Costis Maritime Corporation and Christos Maritime Corporation	145,500	136,500
5.	Mas Shipping Co	74,000	71,500
6.	Montes Shipping Co. and Kelsen Shipping Co	142,000	134,000
7.	Marathos Shipping Inc	17,100	13,300
8.	Capetanissa Maritime Corporation	80,000	75,000
9.	Rena Maritime Corporation	77,500	72,500
10.	Bullow Investments Inc	14,000	10,000
11.	Merin Shipping Co., Lytton Shipping Co., Venor Shipping Co., Volk Shipping Co	-	30,000
		606,535	553,835
	Total	1,529,948	1,435,593
	Less-current portion	(94,735)	(93,856)
	Long-term portion	1,435,213	1,341,737

1. **Credit Facility:** On July 22, 2008, the Company signed a loan agreement, with a consortium of banks, for a $1,000,000 Credit Facility (the "Facility") for general corporate and working capital purposes. From the Facility proceeds $631,340 were used to repay existing indebtedness. The Facility is comprised (a) a revolving credit facility of an amount of up to $300,000 and (b) a term loan facility of an amount of up to $700,000. The balance of the Facility at December 31, 2009 is repayable in 34 variable, consecutive quarterly installments, the first six in an amount of $9,000 each and the remaining 28 to be calculated using a formula specified in the agreement. The Facility bears interest at the 3, 6, 9 or 12 months (at the Company's option) LIBOR plus margin. Upon the sale of MSC Antwerp in May 2009, the Company repaid $10,655 of the loan. As of December 31, 2009 the Company had drawn $936,413. Following the repayment of the amount of $10,655 discussed above the undrawn balance of the Facility as of December 31, 2009 totaled $74,242.

   The Facility, as of December 31, 2009, was secured, among other things, with first priority mortgages over 18 of the Company's vessels, first priority assignment of vessels' insurances and earnings, charter party assignments, first priority pledges over the operating accounts and corporate guarantees of 18 ship-owning companies.

   The Facility and the term loan under 8.2.5 below include, among other things financial covenants requiring (i) the ratio of total liabilities (after deducting cash and cash equivalents) to market value adjusted total assets (after deducting cash and cash equivalents) not to be greater than 0.75 to 1.00; (ii) minimum liquidity of the greater of $30,000 or 3% of the total debt of the Company, (iii) the ratio of EBITDA to net interest expense not be less than 2.50 to 1 and (iv) Market Value Adjusted Net Worth, defined as the amount by which the Market Value Adjusted Total Assets exceed the Total Liabilities, shall exceed $500,000.

8. Long-term Debt (continued):

2. Term loans:

1. In September 2008, Lang Shipping Co. entered into a loan agreement with a bank for an amount of up to $10,450, in order to partly finance, as part of the internal reorganization process (Note 1), the acquisition cost of the vessel Hyundai Challenger. The outstanding balance of the loan at December 31, 2009 of $4,900 is fully payable within 2010.

2. In September 2008, Dino Shipping Co. entered into a loan agreement with a bank for an amount of up to $37,500, in order to partly finance, as part of the internal reorganization process (Note 1), the acquisition cost of the vessel Sealand Michigan. On December 16, 2009, the then outstanding balance of the loan of $30,000 was fully repaid.

3. In August 2008, Mera Shipping Co., Convey Shipping Co., Douro Shipping Co. and Cornas Shipping Co. entered into a loan agreement with a bank for an amount of up to $16,088, in order to partly finance, as part of the internal reorganization process (Note 1), the acquisition cost of the vessels MSC Sierra, MSC Austria, MSC Germany and MSC Mexico. The outstanding balance of the loan at December 31, 2009 of $6,135 is fully payable within 2010.

4. In May 2008, Costis Maritime Corporation and Christos Maritime Corporation entered into a loan agreement with a bank for an amount of up to $150,000 in the aggregate ($75,000 each) on a joint and several basis in order to partly finance the acquisition cost the vessels Sealand New York and Sealand Washington. As at December 31, 2009, the outstanding balance of the loan of $136,500 is repayable in 17 equal semi-annual installments of $4,500, each from May 2010 to May 2018 and a balloon payment of $60,000 payable together with the last installment.

5. In January 2008, Mas Shipping Co. entered into a loan agreement with a bank for an amount of up to $75,000 in order to partly finance the acquisition cost of vessel Maersk Kokura. As at December 31, 2009, the outstanding balance of the loan of $71,500 is repayable in 17 variable semi-annual installments from February 2010 to February 2018 and a balloon payment of $10,000 payable together with the last installment.

6. In December 2007, Montes Shipping Co. and Kelsen Shipping Co. entered into a loan agreement with a bank for an amount of up to $150,000 in the aggregate ($75,000 each) on a joint and several basis in order to partly finance the acquisition cost of the vessels Maersk Kawasaki and Maersk Kure. As at December 31, 2009, the outstanding balance of the loan of $134,000 is repayable in 16 variable semi-annual installments from June 2010 to December 2017 and a balloon payment of $42,000 payable together with the last installment.

7. In June 2006, Marathos Shipping Inc. entered into a loan agreement with a Bank for an amount of up to $24,800, in order to partly finance the acquisition cost of the vessel Maersk Mandraki. As at December 31, 2009, the outstanding balance of the loan of $13,300 is repayable in seven equal semi-annual installments of $1,900 each, from February 2010 to February 2013.

8. In June 2006, Capetanissa Maritime Corporation entered into a loan agreement with a bank for an amount of up to US $90,000, in order to partly finance the acquisition cost of the vessel Cosco Beijing. As at December 31, 2009, the outstanding balance of the loan of $75,000 is repayable in 18 equal semi-annual installments of $2,500 each from February 2010 to August 2018 and a balloon payment of $30,000 payable together with the last installment.

9. In February 2006, Rena Maritime Corporation entered into a loan agreement with a bank for an amount of up to $90,000 in order to partly finance the acquisition cost of the vessel Cosco Guangzhou. As at December 31, 2009, the outstanding balance of the loan of $72,500 is repayable in 17 equal semi-annual installments of $2,500 each from February 2010 to February 2018 and a balloon payment of $30,000 payable together with the last installment.

8. Long-term Debt (continued):

10. In February 2005, Bullow Investments Inc. entered into a loan agreement with a bank for an amount of up to $31,000 in order to partly finance the acquisition cost of the vessel Maersk Mykonos. As at December 31, 2009, the outstanding balance of the loan of $10,000 is repayable in 7 variable semi-annual installments from February 2010 to February 2013.

11. In December 2009, Merin Shipping Co., Lytton Shipping Co., Venor Shipping Co., and Volk Shipping Co. entered into a loan agreement with a bank for an amount of up to $30,000 in order to partly finance the acquisition cost of the vessels Gather, Garden, Genius and Gifted. As at December 31, 2009, the outstanding balance of the loan of $30,000 is repayable in six variable semi-annual installments from June 2010 to December 2012.

With the exception of the loan discussed in 8.2.2 above, all term loans bear interest at LIBOR plus a spread. The interest rate for the loan discussed in 8.2.2 above, was fixed from September 2008 until December 2009 when it was fully repaid, at interest rates between 4.42% and 5.82%.

The term loans are secured by, inter alia, (a) first priority mortgages over the borrowers vessels, (b) first priority assignment of all insurances and earnings of the mortgaged vessels and (c) corporate guarantee of Costamare. The loan agreements contain usual ship finance covenants including restrictions as to changes in management and ownership of the vessels, additional indebtedness, mortgaging of vessels as well as minimum requirements regarding hull Value Maintenance Clauses ("VMC") in the range of 80% to 125% and dividend payments if an event of default has occurred and is continuing or would occur as a result of the payment of such dividend. In relation to the Facility, discussed in 8.1 above, the VMC has been amended as of December 31, 2009 to 80% including in the calculation the restricted cash of a minimum amount equal to 3% of the loan outstanding under the Facility (Note 16(h)). Furthermore, the loan discussed under 8.2.4 above requires Costamare, at all times, to maintain with the bank average monthly balances of the amount of $3,000.

The annual principal payments required to be made after December 31, 2009, are as follows:

Year ending December 31,	Amount
2010	93,856
2011	114,598
2012	149,011
2013	132,503
2014	129,978
2015 and thereafter	815,647
	1,435,593

The interest rates of Costamare's long-term debt at December 31, 2007, 2008 and 2009 were in the range of 5.49% – 6.80%, 3.37% – 6.11% and 1.66% – 6.75%, respectively, while the weighted average interest rate as at December 31, 2007, 2008 and 2009 was 5.88%, 4.52% and 4.30%, respectively.

Total interest expense incurred on long-term debt for 2007, 2008 and 2009 amounted to $62,193, $60,930 and $47,518, respectively, and is included in Interest and finance costs in the accompanying consolidated statements of income. Of the 2009 amount, $466 was capitalized and is included in Vessels under construction in the accompanying 2009 consolidated balance sheet.

9. Accrued Charter Revenue, Current and Non-Current and Unearned Revenue, Current and Non-Current:

(a) ***Accrued charter revenue, Current and Non-Current:*** The amounts presented as current and non-current accrued charter revenue in the accompanying consolidated balance sheets as of December 31, 2008 and 2009 reflect revenue earned, but not collected, resulting from charter agreements providing for varying annual charter rates over their term, which were accounted for on a straight line basis at their average rates. The amount of accrued charter revenue of $23,266 (including the current portion of $3,218 which is separately reflected in current assets in the accompanying 2009 consolidated balance sheet) in the accompanying 2009 consolidated balance sheet matures as follows:

Year ending December 31,	Amount
2010	3,218
2011	10,668
2012	7,409
2013	1,414
2014	557
	23,266

(b) ***Unearned Revenue, Current and Non-Current:*** The amounts presented as current and non-current unearned revenue in the accompanying consolidated balance sheets as of December 31, 2008 and 2009 reflect (a) cash received prior to the balance sheet date for which all criteria to recognize as revenue have not been met, (b) any unearned revenue resulting from charter agreements providing for varying annual charter rates over their term, which were accounted for on a straight line basis at their average rate and (c) the unamortized balance of the liability associated with the acquisition of one vessel in 2008, three vessels in 2007 and of four vessels in 2003, 2004 and 2005, with a charter party assumed at a value below its fair market value at the date of delivery of the vessels.

	2008	2009
Hires collected in advance	4,399	1,201
Charter revenue resulting from varying charter rates	743	285
Unamortized balance of charters assumed (Note 6)	5,294	1,865
Total	**10,436**	**3,351**
Less current portion	(6,618)	(2,136)
Non-current portion	**3,818**	**1,215**

10. Commitments and Contingevcies:

(a) ***Long-term time charters:*** The Company has entered into time charter arrangements on all of its vessels with international liner operators. These arrangements as at December 31, 2009, have remaining terms of up to 101 months. As of the same date, future minimum contractual charter revenues assuming 365 revenue days per annum per vessel, and the earliest redelivery dates possible, based on vessels' committed to non-cancelable, long-term time charter contracts, are as follows:

Year ending December 31,	Amount
2010	347,469
2011	327,004
2012	293,929
2013	246,102
2014	211,357
2015 and thereafter	433,170
	1,859,031

10. Commitments and Contingevcies (continued):

(b) ***Other:*** Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Company's vessels. Currently, management is not aware of any such claims not covered by insurance or contingent liabilities, which should be disclosed, or for which a provision has not been established in the accompanying consolidated financial statements.
The Company accrues for the cost of environmental liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure. Currently, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements. The Company is covered for liabilities associated with the individual vessels' actions to the maximum limits as provided by Protection and Indemnity (P&I) Clubs, members of the International Group of P&I Clubs.

11. Common Stock and Additional Paid-In Capital:

(a) ***Common Stock:*** The authorized common stock of Costamare since inception consists of 2,000,000 shares with a par value of US dollar 0.0001 per share out of which 1,000,000 have been shares issued to the Family.
(b) ***Additional paid-in capital:*** The amounts shown in the accompanying consolidated balance sheets, as additional paid-in capital, include (i) payments made by the stockholders at various dates to finance vessel acquisitions in excess of the amounts of bank loans obtained and (ii) advances for working capital purposes.

12. Interest and Finance Costs:

The amounts in the accompanying consolidated statements of income are analyzed as follows:

	2007	2008	2009
Interest expense	62,193	60,930	47,518
Interest capitalized	-	-	(466)
Swap effect	-	2,784	34,556
Amortization and write-off of financing costs	190	964	746
Commitment fees	130	744	173
Swap unwound	-	-	1,486
Loans breakage cost	-	2,630	2,555
Bank charges and other	55	368	249
	62,568	**68,420**	**86,817**

13. Taxes:

Under the laws of the countries of the companies' incorporation and / or vessels' registration, the companies are not subject to tax on international shipping income; however, they are subject to registration and tonnage taxes, which are included in vessel operating expenses in the accompanying consolidated statements of income.

The vessel owning companies with vessels that have called on the United States during the relevant year of operation are obliged to file tax returns, with the Internal Revenue Service. Applicable Tax is 50% of 4% of United States related gross transportation income unless an exemption applies. Management believes that based on current legislation the relevant vessel owning companies are entitled to an exemption as they satisfy the relevant requirements because (i) the related vessel owning companies are incorporated in a jurisdiction granting an equivalent exemption to US corporations and (ii) over 50% of the ultimate shareholders of the vessel owning companies are residents of a country granting an equivalent exemption to US persons.

14. Derivatives:

(a) ***Interest rate swaps that meet the criteria for hedge accounting:*** The Company, according to its long-term strategic plan to maintain stability in its interest rate exposure, has decided to minimize exposure to floating interest rates by entering into interest rate swap agreements. To this effect, the Company has entered into interest rate swap transactions with varying start and maturity dates, in order to pro-actively and efficiently manage its floating rate exposure.

These interest rate swaps are designed to hedge the variability of interest cash flows arising from floating rate debt, attributable to movements in three-month or six-month USD LIBOR. According to the Company's Risk Management Accounting Policy, and after putting in place the formal documentation required by ASC 815 in order to designate these swaps as hedging instruments, as from their inception, these interest rate swaps qualified for hedge accounting, and, accordingly, since that time, only hedge ineffectiveness amounts arising from the differences in the change in fair value of the hedging instrument and the hedged item are recognized in the Company's earnings. Assessment and measurement of prospective and retrospective effectiveness for these interest rate swaps are being performed on a quarterly basis. For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognized initially in stockholders' equity, and recognized to the Statement of Income in the periods when the hedged item affects profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognized in the Statement of Income immediately.

The interest rate swap agreements designed as hedging instruments, as of December 31, 2008 and 2009, were as follows:

Contract trade date	Effective date	Termination date	Notional amount on effective date	Fixed rate (Costamare pays)	Floating rate (Costamare receives)	Fair value Dec. 31, 2008	Fair value Dec. 31, 2009
22/05/2008	30/06/2008	30/06/2015	425,000	4.03% p.a.	USD LIBOR 3M BBA	(40,220)	(24,277)
22/05/2008	30/06/2008	30/06/2015	75,000	4.03% p.a.	USD LIBOR 3M BBA	(7,098)	(4,284)
3/09/2008	30/9/2008	30/06/2015	100,000	4.09% p.a.	USD LIBOR 3M BBA	(9,628)	(5,929)
4/09/2008	30/9/2008	30/06/2015	250,000	4.02% p.a.	USD LIBOR 3M BBA	(23,747)	(13,726)
13/05/2008	16/5/2008	16/05/2014	75,000	3.88% p.a.	USD LIBOR 6M BBA	(5,762)	(3,678)
13/05/2008	16/5/2008	16/05/2014	75,000	3.88% p.a.	USD LIBOR 6M BBA	(5,762)	(3,678)
13/02/2008	17/6/2008	17/06/2013	73,000	3.57% p.a.	USD LIBOR 6M BBA	(4,308)	(3,076)
13/02/2008	17/6/2008	17/06/2013	73,000	3.57% p.a.	USD LIBOR 6M BBA	(4,308)	(3,076)
30/11/2006	21/2/2007	21/02/2017	85,000	Zero cost Interest rate Collar*		(10,863)	(7,685)
11/03/2008	4/08/2008	5/08/2013	74,000	3.595% p.a.	USD LIBOR 6M BBA	(4,345)	(3,637)
			1,305,000		**Total fair value**	(116,041)	(73,046)

* Notional amount $85,000 amortizing zero-cost collar (2.23% – 6.00%) with knock-in floor sold at 2.23% and struck at 6.00%, as a 10 forward hedge, covering the period from February 2007 to February 2017. The agreement guarantees that the interest rate payable on the Company's loans throughout the 10-year period will always remain between 2.23% and 6.00% excluding margin. This interest rate swap was re-designated for hedge accounting as of January 1, 2008.

The total fair value change of the interest rate swaps, qualifying for hedge accounting, for the year ended December 31, 2008, amounted to a loss of $114,564 and for the year ended December 31, 2009 amounted to a gain of $42,995. The effective portion for the 2008 period of the hedge amounted to a loss of $103,685 and for the 2009 period amounted to a gain of $42,706 and are included in Other Comprehensive Income/Loss and the ineffective portion for the 2008 period of the hedge amounted to a loss of $10,879, net of a gain of $1,607 and for the 2009 period amounted to a gain of $289 and are included in Gain (loss) of financial instruments in the statements of income. Gain of $1,607 represents the fair value change of the two interest rate swaps that are described in the first two rows in the above table for the period from their trade date (May 2008) up to the date that were designated effective for hedge accounting (August 2008).

The interest rate swaps included in the table above are for the Credit Facility discussed in Note 8 and the term loans discussed in Note 8.2.4, 8.2.5, 8.2.6 and 8.2.9.

14. Derivatives (continued):

(b) Interest rate swaps that do not meet the criteria for hedge accounting: As of December 31, 2009 and 2008, the Company had outstanding one and two interest rate swap agreements, respectively, for the purpose of managing risks associated with the variability of changing LIBOR-related interest rates. Such agreements did not meet hedge accounting criteria and therefore changes in their fair value are reflected in earnings. More specifically:

(i) Notional amount $100,000 non-amortizing interest rate swap agreement concluded on November 21, 2008 (with effective date on November 25, 2008) for a period of 10 years through November 26, 2018. Under the agreement the Company pays fixed rate at 3.33% and receives floating rate at six-months LIBOR. At December 31, 2008, the fair value of this interest rate swap was a liability of $4,841 which is included in the accompanying 2008 consolidated balance sheet. In January 2009 the Company unwound this interest rate swap and realized a loss of $1,486 which is included in Interest and finance costs in the accompanying 2009 consolidated statement of income.

(ii) Notional amount $100,000 non-amortizing zero-cost collar (1.37% – 6.00%) with a knock-in floor sold at 1.37% and struck at 6.00%, as a nine-year forward hedge, covering the period from September 2008 to March 2017. The fair value of this swap when acquired from Costamare Shipping was a liability of $7,887 (2008: liability of $11,460) (Note 3 (a)). At December 31, 2009 the fair value of this swap was a liability of $8,114 resulting a gain of $3,346 which is included in Gain (loss) on derivative instruments in the accompanying 2009 consolidated statement of income.

The total fair value change of the interest rate swaps that do not meet the criteria for hedge accounting for the year ended December 31, 2008 amounted to a loss of $8,414 bearing an aggregate negative fair value at December 31, 2008 of $16,301.

Furthermore in May and September 2008 the Company concluded two interest rate swap agreements of notional amount $45,800 and $77,500 each, which were terminated on August and September 2008, respectively, for an aggregate gain of $2,082 which is included in interest income in the accompanying 2008 consolidated statement of income.

In 2009 the realized ineffectiveness of the interest rate swaps discussed under (a) and (b) above was $nil (2007: $nil, 2008: loss of $331) and is included in Gain (loss) on derivative instruments in the accompanying 2009 consolidated statement of income.

(c) Foreign currency agreements: As of December 31, 2009, the Company was engaged in six Euro/U.S. dollar contracts totalling $12,000 at an average forward rate of Euro/U.S. dollar 1.4348 expiring in monthly intervals in 2010.

As of December 31, 2008, the Company was engaged in 30 forward Euro/U.S. dollar contracts totalling $81,000 at an average forward rate of Euro/U.S. dollar 1.3225 expiring in monthly intervals in 2009. Out of the 30 forward Euro/U.S. dollar contracts in 24 contracts the Company has the "sell" position (notional amount $54,000) and in six contracts the Company has the "buy" position (notional amount $27,000). During 2007 the Company had not entered into any Foreign currency agreement.

As of December 31, 2008, the fair market value of the 30 forward Euro/U.S. dollar contracts was a gain of $2,636 is included in Fair value of financial instruments in the statement of income. For the year ended December 31, 2009 the total change of forward contracts fair value amounted to a loss of $2,594 which is included in Gain/(loss) on derivative instruments in the accompanying 2009 consolidated statement of income.

15. Financial Instrumetns:

(a) ***Interest rate risk:*** The Company's interest rates and loan repayment terms are described in Note 8.

(b) ***Concentration of credit risk:*** Financial Instruments consist principally of cash, trade accounts receivable, investments and derivatives. The Company places its temporary cash investments, consisting mostly of deposits, primarily with high credit rated financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company's investment strategy. The Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its accounts receivable and does not have any agreements to mitigate credit risk. The Company limits the exposure of non-performance by counterparties to derivative instruments by diversifying among counterparties with high credit ratings, and performing periodic evaluations of the relative credit standing of the counterparties.

(c) ***Fair value:*** The carrying amounts reflected in the accompanying Consolidated Balance Sheet of financial assets and accounts payable approximate their respective fair values due to the short maturity of these instruments. The fair value of long-term bank loans with variable interest rates approximate the recorded values, generally due to their variable interest rates. The fair value of the investment discussed in Note 4, determined through Level 1 of the fair value hierarchy, equates to the amounts that would be received by the Company in the event of sale of that investment. The fair value of the interest rate swap agreements discussed in Note 15 above are determined through Level 2 of the fair value hierarchy as defined in FASB guidance for Fair Value Measurements are derived principally from or corroborated by observable market data, interest rates, yield curves and other items that allow value to be determined.

The fair value of the interest rate swap agreements discussed in Note 14(a) and (b) equates to the amount that would be paid by the Company to cancel the agreements. As at December 31, 2008 and 2009 the fair value of these interest rate swaps in aggregate amounted to a liability of $132,342 and $81,160, respectively.

The fair market value of the forward contracts discussed in Note 14(c) determined through Level 2 of the fair value hierarchy as at December 31, 2008 and 2009 amounted to an asset of $2,636 and $44, respectively.
The following table summarizes the hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique on a recurring basis as of the valuation date.

	December 31, 2009	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
Recurring measurements:				
Forward contracts—asset position	44	-	44	-
Interest rate swaps—liability position	(81,160)	-	(81,160)	-
Investments—asset position	14,378	14,378	-	
Total	(66,738)	14,378	(81,116)	-

16. Subsequent Events:

(a) ***Delivery of Vessel Held for Sale:*** On January 4, 2010, vessel MSC Germany was delivered to her scrap buyer. The sale resulted in gain of $2,293.

(b) ***Payment of Dividends:*** On January 14, 2010, the Company paid the dividends of $10,000 which were declared in December 2009.

(c) ***Sale of vessels:*** (a) On March 23, 2010, the Company concluded a Memorandum of agreement to scrap the vessel MSC Toba at a price of $7,980 and an estimated gain of $2,339. The vessel was delivered to her scrap buyer on May 1, 2010. (b) On April 27, 2010, the Company concluded a Memorandum of agreement to scrap the vessel MSC Mexico at a price of $7,229 and an estimated gain of $3,187. The vessel was delivered to her scrap buyer on June 14, 2010.

16. Subsequent Events (continued):

(d) ***Foreign Currency Agreements:*** During the period from January 1, 2010 to June 30, 2010, the Company engaged in forty forward Euro/U.S. dollar contracts totalling $64,000 at an average forward rate of Euro/U.S. dollar 1.3643 expiring in monthly intervals up to December 2011.

(e) ***Delivery of Hull 1512A:*** On May 3, 2010, the Company paid to the shipyard the amount of $24,000, and on May 6, 2010 took delivery of the new-building vessel MSC Navarino. Furthermore, on July 1, 2010, the Company will pay to the shipyard a discretionary bonus in the amount of $1,000 for the satisfactory construction quality of the vessel, in accordance with a Memorandum of Understanding that was concluded together with the shipbuilding contract.

(f) ***Mortgage release:*** (a) In May 2010, the first priority mortgage on vessel Sealand Michigan was released following the repayment of its bank loan (Note 8.2.2). (b) In late April 2010, following a supplemental agreement dated April 23, 2010 under the Facility (Note 8.1), the first priority mortgages on vessels MSC Toba and MSC Sudan was released and substituted by a first priority mortgage on vessel Zim Piraeus.

(g) ***Manager (change of ownership):*** In June 2010 Vasileios Konstantakopoulos transferred his shares of Costamare Shipping to Konstantinos Konstantakopoulos who thus became the sole stockholder of Costamare Shipping.

(h) ***Amendment of the Facility:*** On June 22, 2010, the Company entered into a supplemental agreement to the Facility (Note 8.1) which provides for a two-year period ending December 31, 2011 (i) the relaxation of the Security Requirement and during this period the Security Requirement ratio is reduced from 125% to 80% and the minimum cash amount equal to 3% of the loan outstanding, maintained in accordance with the Facility, is included in the Security Requirement calculation, (ii) the payment of interest at an increased margin over LIBOR during the period from June 15, 2010 up to December 31, 2011, half of which to be paid upfront upon execution of the supplemental agreement, and (iii) no payments of dividends without the lender's prior consent in case the Company remains private. In case the Company becomes public and subject to no Event of Default having occurred and being continuing, no such lenders' consent shall be required for the payment of dividends if the ratio of Total Liabilities (after deducting all Cash and Cash Equivalents) to Market Value Adjusted Total Assets (after deducting all Cash and Cash equivalents) does not exceed 0.80:1. Furthermore, the supplemental agreement provides that the undrawn amount of the Facility at June 15, 2010, if and when drawn, will be drawn at increased margin over LIBOR.

(i) ***Amendment of the Company's Articles of Incorporation and Rights Issue:*** On July 12, 2010, the Company's articles of incorporation were amended. Under the amended articles of incorporation the Company's authorized capital stock consists of 1,000,000,000 shares of common stock, par value $0.0001 per share and 100,000,000 preferred shares, par value $0.0001 per share.

On July 14, 2010 the Company's Board of Directors authorized a Rights offering pursuant to which all shareholders as at that date could subscribe to purchase up to 32 shares of common stock at $0.10 per share for each share held. Six of the seven shareholders of record holding 750,000 of the then issued shares of the Company elected to participate in the Rights offering subscribing for a total of 24,000,000 shares of common stock.

On July 20, 2010 the Company issued 24,000,000 shares of common stock, at a price of $0.10 per common share, in exchange of $2,400, increasing the issued share capital of the Company to 25,000,000 shares of common stock. The earnings per share calculation in the accompanying consolidated financial statements for all periods presented has been restated to reflect the issuance of the 24,000,000 shares of common stock.

(j) ***Vessel Acquisitions:*** On September 23, 2010, the Company contracted to acquire four 3,351 TEU secondhand containerships at a purchase price of $11,250 per containership, two to be delivered by December 20, 2010 and two by February 28, 2011. These secondhand containerships were built between 1990 and 1992. The Company intends to finance the acquisition of these vessels with available cash and/or new debt financing.

(k) ***Stock Split:*** On October 19, 2010, the Company effected a dividend of 0.88 shares for each share of Common Stock outstanding on the record date of August 27, 2010 (the "Stock Split"). As a result of this dividend, the Company issued 22,000,000 additional shares in respect of its 25,000,000 shares of then outstanding common stock. The earnings per share calculations in the accompanying consolidated financial statements have been restated to reflect the Stock Split for all periods presented.