

StealthGas Inc.
Form 20-F
June 29, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549
FORM 20-F**

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

OR

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

For the fiscal year ended December 31, 2009

OR

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

OR

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

Commission file number 000-51559

STEALTHGAS INC.

(Exact name of Registrant as specified in its charter)

Republic of the Marshall Islands

(Jurisdiction of incorporation or organization)

331 Kifissias Avenue, Erithrea 14561 Athens, Greece

(Address of principal executive offices)

Andrew J. Simmons

331 Kifissias Avenue, Erithrea 14561, Athens, Greece

Telephone: (011) (30) (210) 625 0001

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class

Name of each exchange on which registered

Common Stock, par value \$0.01 per share

The Nasdaq Stock Market LLC

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

**SECURITIES FOR WHICH THERE IS A REPORTING OBLIGATION
PURSUANT TO SECTION 15(d) OF THE ACT:**

None

The number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2009 was:

Common Stock, par value \$0.01 per share 22,310,110 shares

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☐ No

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

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

U.S. GAAP ☒

International Financial Reporting Standards ☐

Other ☐

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

☐ Item 17

☐ Item 18

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

☐ Yes ☒ No

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FORWARD-LOOKING INFORMATION

This Annual Report on Form 20-F includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as forward-looking statements. We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material.

All statements in this document that are not statements of historical fact are forward-looking statements as defined in Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements include, but are not limited to, such matters as:

future operating or financial results;

global and regional economic and political conditions;

pending or recent acquisitions, business strategy and expected capital spending or operating expenses;

competition in the marine transportation industry;

shipping market trends, including charter rates, factors affecting supply and demand and world fleet composition;

ability to employ our vessels profitably;

performance by the counterparties to our charter agreements;

future liquefied petroleum gas (LPG) and refined petroleum product prices and production;

future supply and demand for refined petroleum products and natural gas of which LPG is a byproduct;

our financial condition and liquidity, including our ability to obtain financing in the future to fund capital expenditures, acquisitions and other general corporate activities, the terms of such financing and our ability to comply with covenants set forth in our existing and future financing arrangements; and

expectations regarding vessel acquisitions.

When used in this document, the words anticipate, believe, intend, estimate, project, forecast, plan, should and expect reflect forward-looking statements. Such statements reflect our current views and assumptions and all forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect our future financial results are discussed more fully under Item 3. Key Information Risk Factors, as well as elsewhere in this Annual Report on Form 20-F and in our other filings with the U.S. Securities and Exchange Commission (SEC). We caution readers of this Annual Report not to place undue reliance on these forward-looking statements, which speak only as of their dates. We undertake no obligation to publicly update or revise any forward-looking statements.

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PART I

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

We use the term cubic meters, or cbm, in describing the size of our liquefied petroleum gas carriers and the term deadweight tons, or dwt, in describing the size of our product carriers. Unless otherwise indicated, all references to currency amounts in this annual report are in U.S. dollars.

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

Selected Consolidated Financial Data

The following table sets forth our selected consolidated financial data and other operating data shown in U.S. dollars, other than share and fleet data. The table should be read together with Item 5. Operating and Financial Review and Prospects.

Our audited and consolidated statements of operations for the years ended December 31, 2007, 2008 and 2009, consolidated statements of cash flows and consolidated statements of changes in stockholders' equity for the years ended December 31, 2007, 2008 and 2009 and the consolidated balance sheets as of December 31, 2008 and 2009, together with the notes thereto, are included in Item 18. Financial Statements and should be read in their entirety. The selected consolidated income statement data for the periods ended December 31, 2005 and 2006 and the selected balance sheet data as of December 31, 2005, 2006 and 2007 have been derived from our audited consolidated financial statements which are not included in Item 18. Financial Statements.

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INCOME STATEMENT DATA	Year ended December 31,				
	2005	2006	2007	2008	2009
Revenues:					
Voyage revenues					
Operating expenses:	\$ 36,644,591	\$ 73,259,369	\$ 89,995,123	\$ 112,551,901	\$ 113,045,961
Voyage expenses	2,688,155	6,213,804	5,369,546	6,180,754	10,522,573
Vessels operating expenses	9,095,576	19,474,344	25,435,578	32,178,385	38,001,481
Dry-docking costs	470,384	2,243,395	314,181	1,112,992	1,266,455
Management fees	1,473,080	3,068,609	4,126,610	4,618,025	5,230,990
General and administrative expenses	779,539	3,457,688	5,024,912	4,772,615	3,546,779
Depreciation	5,611,942	13,058,316	16,546,692	23,283,393	26,766,672
Impairment Loss					9,867,777
Forfeiture of vessel deposit and contract termination fees					16,5000,00
Charter termination fees					(753,000)
Net gain (loss) on sale of vessels				(1,673,321)	791,659
Total expenses	20,118,676	47,516,156	56,817,519	70,472,843	111,759,386
Income from operations	16,525,915	25,743,213	33,177,604	42,079,058	1,286,575
Interest and finance costs	(2,685,207)	(7,705,602)	(9,831,404)	(9,962,504)	(9,109,222)
Change in fair value of derivatives	(67,000)	(192,664)	(2,573,992)	(2,713,055)	(5,478,163)
Interest income	780,434	735,090	1,888,070	743,193	250,326
Foreign exchange loss	(18,091)	(87,528)	(122,171)	(159,208)	(261,401)
Other expenses, net	(1,989,864)	(7,250,704)	(10,639,497)	(12,091,574)	(14,598,460)
Net income/(Loss)	14,536,051	18,492,509	22,538,107	29,987,484	(13,311,885)
Earnings/(Loss) per share, basic (retroactively adjusted for 60,000-to-1 stock split effected on August 26, 2005)**	\$ 1.84	\$ 1.31	\$ 1.25	\$ 1.35	\$ (0.60)
Earnings/(Loss) per share, diluted (retroactively adjusted for 60,000-to-1 stock split effected on August 26, 2005) (1)**	\$ 1.84	\$ 1.31	\$ 1.25	\$ 1.34	\$ (0.60)
Weighted (and diluted) average number of shares outstanding (retroactively adjusted for 60,000-to-1 stock split effected on August 26, 2005)	7,906,849	14,161,096	17,943,346	22,182,118	22,219,442
	\$ 1.67	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.1875

Dividends declared per share, basic and diluted (retroactively adjusted for 60,000-to-1 stock split effected on August 26, 2005)*

BALANCE SHEET DATA	As of December 31,				
	2005	2006	2007	2008	2009
Current assets, including cash	\$ 26,016,248	\$ 17,891,738	\$ 69,497,341	\$ 52,458,518	\$ 69,031,753
Total assets	256,978,768	319,605,321	477,593,326	634,347,123	692,497,010
Current liabilities	20,725,441	28,628,998	37,372,666	40,774,931	69,023,455
Derivative liability	67,000	35,902	3,288,989	12,762,979	10,327,792
Total long-term debt, including current portion	97,706,000	140,948,240	145,758,529	283,693,873	345,822,070
Total stockholders' equity	151,107,327	163,802,228	303,030,788	317,847,325	300,801,931
Capital stock (retroactively adjusted for 60,000-to-1 stock split effected on August 26, 2005)	140,000	144,000	222,841	223,101	223,101
Common shares outstanding (retroactively adjusted for 60,000-to-1 split effected on August 26, 2005)	14,000,000	14,400,000	22,284,105	22,310,110	22,310,110
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	Year ended December 31,				
OTHER FINANCIAL DATA	2005	2006	2007	2008	2009
Net cash provided by operating activities	\$ 24,414,729	\$ 33,224,984	\$ 47,704,497	\$ 48,080,792	\$ 48,347,343
Net cash used in investing activities	(197,780,709)	(84,282,368)	(149,636,615)	(159,979,986)	(101,563,715)
Net cash provided by financing activities	196,576,223	38,994,012	123,900,119	120,632,381	55,444,652
FLEET DATA					
Average number of vessels(1)	11.9	25.9	32.8	38.6	42.0
Total voyage days for fleet(2)	4,288	9,346	11,871	14,018	15,240
Total time and bareboat charter days for fleet(3)	4,105	8,209	11,170	13,318	12,276
Total spot market days for fleet(4)	183	1,137	701	700	2,964
Total calendar days for fleet(5)	4,334	9,451	11,986	14,113	15,335
Fleet utilization(6)	98.9%	98.9%	99.0%	99.3%	99.4%
AVERAGE DAILY RESULTS					
Time charter equivalent(7)	\$ 7,919	\$ 7,174	\$ 7,129	\$ 7,588	\$ 6,727
Vessel operating expenses(8)	2,099	2,061	2,122	2,280	2,478
General and administrative expenses	180	366	419	338	232
Management fees	340	325	344	327	341
Total operating expenses(9)	2,279	2,426	2,541	2,618	2,711

* As a privately held company, we paid no dividends in 2004 and an aggregate dividend of \$10.0 million in July 2005. We paid no dividends in 2005 after becoming a public company in October 2005. We paid our first quarterly dividend since becoming a public company, of \$0.1875 per share, in January 2006. In the first quarter of 2009, our board of directors decided to suspend the payment of further

cash dividends as a result of market conditions in the international shipping industry. Our payment of dividends is subject to the discretion of our Board of Directors. Our loan agreements and the provisions of Marshall Islands law also restrict our ability to pay dividends. See

Item 3. Risk Factors Risks Related To Our Common Stock
Our Board of Directors has determined to suspend the payment of cash dividends as a result of market conditions in the international shipping industry, and until such market conditions improve, it is unlikely we will reinstate the payment of dividends and

Item 8. Financial Information
Dividend Policy.

** On January 1, 2009, the Company adopted new guidance which clarified that unvested share-based payment awards that contain rights to receive non

forfeitable dividends or dividend equivalents (whether paid or unpaid) are participating securities, and thus, should be included in the two-class method of computing earnings per share (EPS). This standard was applied retroactively to all periods presented, for the years ended December 31, 2005, 2006, and reduced basic EPS by \$0.01 for the years ended December 31, 2007 and 2008 respectively.

- (1) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in that period.
- (2) Our total voyage days for our fleet reflect the total days the vessels were in our possession for the relevant periods, net of off-hire days

associated with
major repairs,
drydockings or
special or
intermediate
surveys.

- (3) Total time and bareboat charter days for fleet are the number of voyage days the vessels in our fleet operated on time or bareboat charters for the relevant period.
- (4) Total spot market charter days for fleet are the number of voyage days the vessels in our fleet operated on spot market charters for the relevant period.
- (5) Total calendar days are the total days the vessels were in our possession for the relevant period including off-hire days associated with major repairs, drydockings or special or intermediate surveys.
- (6) Fleet utilization is the percentage of time that our vessels were available for revenue generating voyage days, and is determined by dividing voyage days by fleet

calendar days for the relevant period.

- (7) Time charter equivalent rate, or TCE rate, is a measure of the average daily revenue performance of a vessel on a per voyage basis. Our method of calculating TCE rate is consistent with industry standards and is determined by dividing voyage revenues (net of voyage expenses) or time charter equivalent revenues or TCE revenues by voyage days for the relevant time period. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by the charterer under a time charter contract, as well as commissions. TCE revenues, a non-GAAP measure, provides additional meaningful information in conjunction with voyage revenues, the most directly comparable GAAP measure, because it

assists Company management in making decisions regarding the deployment and use of its vessels and in evaluating their financial performance. It is also a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance despite changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods. Reconciliation of TCE revenues as reflected in the consolidated statement of income and calculation of TCE rate follow:

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	Year ended December 31,				
	2005	2006	2007	2008	2009
Voyage revenues	\$ 36,644,591	\$ 73,259,369	\$ 89,995,123	\$ 112,551,901	\$ 113,045,961
Voyage expenses	(2,688,155)	(6,213,804)	(5,369,546)	(6,180,754)	(10,522,573)
Time charter equivalent revenues	\$ 33,956,436	\$ 67,045,565	\$ 84,625,577	\$ 106,371,147	\$ 102,519,480
Total voyage days for fleet	4,288	9,346	11,871	14,018	15,240
Time charter equivalent (TCE) rate	\$ 7,919	\$ 7,174	\$ 7,129	\$ 7,588	\$ 6,727

(8) Vessel operating expenses, which include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs, is calculated by dividing vessel operating expenses by fleet calendar days for the relevant time period.

(9) Total operating expenses, or TOE, is a measurement of our total expenses associated with operating our vessels. TOE is the sum of vessel operating expenses and general and administrative

expenses. Daily
TOE is
calculated by
dividing TOE
by fleet calendar
days for the
relevant time
period.

Capitalization and Indebtedness

The table below sets forth our consolidated capitalization at December 31, 2009 on an actual basis and as adjusted to reflect the number of shares repurchased (1,205,229 shares with an aggregate value of \$6,280,327) and the aggregate scheduled loan repayments of \$27.8 million until June 18, 2010. There has been no material change to our capitalization since December 31, 2009 as so adjusted.

This table should be read in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this Annual Report on Form 20-F.

	As of December 31, 2009	
	Actual	As Adjusted
In thousands of U.S. Dollars		
Long-term debt obligations (including current portion)*	\$ 345,822,070	\$ 318,016,353
Stockholders' equity:		
Common stock, \$0.01 par value per share, 100,000,000 shares authorized, actual and as adjusted; 22,310,000 shares issued and outstanding, actual; 21,104,881 shares issued and 21,104,214 shares outstanding as adjusted		
(1)(2)	\$ 223,101	\$ 211,042
Additional paid-in capital	\$ 284,100,096	\$ 277,819,769
Retained earnings	\$ 16,478,374	\$ 16,478,374
Total stockholders' equity	\$ 300,801,931	\$ 294,509,545
Total capitalization	\$ 646,624,001	\$ 612,525,898

* All of our indebtedness is secured.

(1) Includes 42,002 unvested restricted shares as of December 31, 2009, of which 6,501 shares vested on March 18, 2010, and 667 were forfeited upon the resignation of one of our directors on

April 22, 2010.

- (2) The 1,205,229 shares repurchased in 2010 have been cancelled and the 667 forfeited restricted shares forfeited in 2010 were held as treasury stock as of June 15, 2010.

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Reasons For the Offer and Use of Proceeds

Not Applicable.

Risk Factors

Risks Related To Our Industry

The cyclical nature of the demand for LPG transportation, which has recently declined, may lead to significant changes in our chartering and vessel utilization, which may adversely affect our revenues, profitability and financial position.

Historically, the international LPG carrier market has been cyclical with attendant volatility in profitability, charter rates and vessel values. The degree of charter rate volatility among different types of gas carriers has varied widely. Because many factors influencing the supply of, and demand for, vessel capacity are unpredictable, the timing, direction and degree of changes in the international gas carrier market are also not predictable. After increasing throughout 2007 and into 2008, charter rates for Handy size LPG carriers declined in the second half of 2008 and in 2009 as a result of slowdown in the world economy. During early 2010 charter rates have remained at similar levels to those seen in the latter part of 2008 and during 2009. If charter rates remain depressed or decline further, our earnings may decrease, particularly with respect to our vessels deployed in the spot market or those vessels whose charters will be subject to renewal during 2010. Any of the foregoing factors could have an adverse effect on our revenues, profitability, liquidity, cash flow and financial position.

To the extent we have vessels in the spot market, we are exposed to changes in spot rates for gas carriers and such changes can affect our earnings and the value of our gas carriers at any given time. We are also exposed to fluctuations in bunker (fuel) costs for which we are responsible in respect of vessels on spot charters. As of June 18, 2010, eight of our 37 vessels were deployed in the spot market while eight and 21 were under bareboat and time period charters, respectively. As our period charters expire they may not be extended or renewed on favorable terms when compared to the terms of the expiring charters.

Future growth in the demand for LPG carriers and charter rates will depend on economic growth in the world economy and demand for LPG product transportation that exceeds the capacity of the growing worldwide LPG carrier fleet's ability to match it. We believe that the future growth in demand for LPG carriers and the charter rate levels for LPG carriers will depend primarily upon the supply and demand for LPG particularly in the economies of China, India and Southeast Asia, and upon seasonal and regional changes in demand and changes to the capacity of the world fleet. The capacity of the world shipping fleet appears likely to increase in the near term, although growth in our core sector of 3,000 to 8,000 cbm Handy size LPG Carriers is expected to be limited in 2010. Economic growth may be limited in the near term, and possibly for an extended period, as a result of the current worldwide financial crisis, which could adversely affect demand for LPG transportation. Adverse economic, political, social or other developments, including the continued turmoil in the global financial system and economic crisis, could have a material adverse effect on world economic growth and thus on our business and results of operations.

The factors affecting the supply and demand for LPG carriers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

The factors that influence demand for our vessels include:

supply and demand for LPG products;

global and regional economic conditions;

the distance LPG products are to be moved by sea;

availability of alternative transportation means; and

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changes in seaborne and other transportation patterns.

The factors that influence the supply of vessel capacity include:

the number of newbuilding deliveries;

the scrapping rate of older vessels;

LPG carrier prices;

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

the number of vessels that are out of service.

A significant decline in demand for the seaborne transport of LPG or a significant increase in the supply of LPG carrier capacity without a corresponding growth in LPG carrier demand could cause a significant decline in prevailing charter rates, which could materially adversely affect our financial condition and operating results and cash flow.

Various economic factors could materially adversely affect our business, financial position and results of operations, as well as our future prospects.

The global economy and the volume of world trade sharply declined in the latter part of 2008 and in 2009. Although the global economy has begun to show signs of the beginning of a recovery, both slow and not consistent on a worldwide basis. More specifically, some LPG products we carry are used in cyclical businesses, such as the manufacturing of plastics and in the chemical industry, that have been adversely affected by the recent economic downturn and, accordingly, a further slackening of demand in those industries could further adversely affect the LPG carrier industry. In particular, an adverse change in economic conditions affecting China, Japan, India or Southeast Asia generally could have a negative effect on the demand for LPG products, thereby adversely affecting our business, financial position and results of operations, as well as our future prospects. In particular, in recent years China and India have been among the world's fastest growing economies in terms of gross domestic product. In 2008 growth in China slowed significantly from recent years, and it is likely that China and other countries in the Asia Pacific region will continue to experience slowed or even negative economic growth in the near future. Moreover, any further deterioration in the economy of the United States or the European Union, including due to the European sovereign debt crisis, may further adversely affect economic growth in Asia. Our business, financial position and results of operations, as well as our future prospects, could likely be materially and adversely affected by adverse economic conditions in any of these countries or regions.

If the demand for LPG products and LPG shipping does not grow, or decreases, our business, results of operations and financial condition could be adversely affected.

Our growth, which depends on growth in the supply and demand for LPG products and LPG shipping, was adversely affected by the sharp decrease in world trade and the global economy experienced in the latter part of 2008 and in 2009. Although the global economy has begun to show signs of the beginning of a recovery, world and regional demand for LPG products and LPG shipping can be adversely affected by a number of factors, such as:

adverse global or regional economic or political conditions, particularly in LPG consuming regions, which could reduce energy consumption;

a reduction in global or general industrial activity specifically in the plastics and chemical industry;

increases in the cost of petroleum and natural gas from which LPG is derived;

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decreases in the consumption of LPG or natural gas due to availability of new, alternative energy sources or increases in the price of LPG or natural gas relative to other energy sources or other factors making consumption of LPG or natural gas less attractive; and

increases in pipelines for LPG, which are currently few in number, linking production areas and industrial and residential areas consuming LPG, or the conversion of existing non-petroleum gas pipelines to petroleum gas pipelines in those markets.

Reduced demand for LPG products and LPG shipping would have an adverse effect on our future growth and would harm our business, results of operations and financial condition.

Our operating results are subject to seasonal fluctuations, which could affect our operating results and the amount of available cash with which we can pay dividends.

We operate our LPG carriers in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. This seasonality may result in quarter-to-quarter volatility in our operating results, which could affect the amount of dividends that we pay to our stockholders from quarter-to-quarter. The LPG carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of propane and butane for heating during the winter months. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, our revenues may be stronger in fiscal quarters ended December 31 and March 31, and conversely, our revenues may be weaker during the fiscal quarters ended June 30 and September 30. This seasonality could materially affect our operating results and cash available for distribution to our stockholders as dividends in the future.

Our revenues, operations and future growth could be adversely affected by a decrease in supply of liquefied natural gas, or natural gas.

In recent years, there has been a strong supply of natural gas and an increase in the construction of plants and projects involving natural gas, of which LPG is a byproduct. Several of these projects, however, have experienced delays in their completion for various reasons and thus the expected increase in the supply of LPG from these projects may be delayed significantly. If the supply of natural gas decreases, we may see a concurrent reduction in the production of LPG and resulting lesser demand and lower charter rates for our vessels, which could ultimately have a material adverse impact on our revenues, operations and future growth.

The product carrier shipping and crude oil tanker sectors are cyclical, which may lead to lower charter rates and lower vessel values.

The medium range type product carrier and crude oil tanker shipping sectors are also cyclical with attendant volatility in charter rates and vessel values. Although the charter arrangements for our three product carriers are not scheduled to expire until 2015 in the case of the first two and 2012 in regard to our third product carrier, and 2015 in the case of the crude oil tanker we have agreed to acquire, if prevailing market conditions, which have recently deteriorated along with the global economy, are depressed at such times as these charters expire or otherwise are terminated, we may not be able to renew or replace existing charters for our product carriers at the same or similar rates. If we were required to enter into a charter when charter hire rates are low, our results of operations could be adversely affected.

The market values of our vessels, which have recently declined, may remain at current low, or lower, levels for a prolonged period and, over time, may fluctuate significantly. If the market values of our vessels are low, we may incur a loss on sale of a vessel or record an impairment charge, which may adversely affect our earnings and possibly lead to defaults under our loan agreements.

Due to the sharp decline in the world economy and related decreases in charter rates, the market value of our vessels declined from December 31, 2008 to December 31, 2009. The market values of our vessels may remain at current low, or be depressed to even lower, values for a prolonged period of time and, as was the case with the

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recent decreases in value, are subject to the potential significant fluctuations depending on a number of factors including:

general economic and market conditions affecting the shipping industry;

age, sophistication and condition of our vessels;

types and sizes of vessels;

availability of other modes of transportation;

cost and delivery of schedules for newbuildings;

governmental and other regulations;

supply and demand for LPG products and, with respect to our product carriers, refined petroleum products;

prevailing level of LPG charter rates and, with respect to our product carriers, the prevailing level of product carrier charter rates; and

technological advances.

If we sell vessels at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be for less than the vessel's carrying value on our financial statements, resulting in a loss and reduction in earnings. Furthermore, if vessel values experience significant further declines, we may have to record an impairment adjustment in our financial statements, which could adversely affect our financial results. For instance, in 2009, we recorded an impairment charge of \$9.9 million in respect of four of our vessels. If the market value of our fleet further declines, we may not be in compliance with certain provisions of our existing loan agreements and we may not be able to refinance our debt or obtain additional financing and pay dividends. If we are unable to pledge additional collateral, our lenders could accelerate our debt and foreclose on our fleet. The loss of our vessels would mean we could not run our business.

We are subject to regulation and liability under environmental laws that could require significant expenditures and affect our financial conditions and results of operations.

Our business and the operation of our vessels are materially affected by government regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which the vessels operate, as well as in the country or countries of their registration. Because those laws and regulations are often revised, we cannot predict the ultimate cost of complying with them or the impact they may have on the resale prices or useful lives of our vessels. Additional rules and regulations may be adopted which could limit our ability to do business or increase the cost of our doing business and which could materially adversely affect our operations. We are also required by various governmental and quasi-governmental agencies to obtain permits, licenses, certificates and financial assurances with respect to our operations. These permits, licenses, certificates and financial assurances may be issued or renewed with terms that could materially and adversely affect our operations.

The United States Oil Pollution Act of 1990, or OPA, established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA 90 applies to any discharges of oil from a vessel, including discharges of fuel oil (bunkers) and lubricants. OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States territorial sea and its 200 nautical mile exclusive economic zone. Under OPA, vessel owners, operators and bareboat charterers are responsible parties and are jointly, severally and strictly liable (unless the discharge of pollutants results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels. In addition, our vessels are subject to OPA financial responsibility requirements for tank vessels. See Item 4. Information

on the Company Environmental and Other Regulation.

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The International Maritime Organization (the IMO), which is an agency of the United Nations, has adopted regulations that are designed to reduce pollution in international waters, both from accidents and from routine operations. These regulations address oil discharges, ballasting and unloading operations, sewage and waste discharges, and air emissions. In complying with OPA 90, the IMO and other applicable environmental regulations and any regulations that may be adopted, including regulations governing the safety, construction, equipment, operation and liability of our vessels, we may be required to incur additional costs in meeting new maintenance and inspection requirements, in developing contingency plans for potential spills, and in obtaining insurance coverage.

The operation of our vessels is affected by the requirements set forth in the International Management Code for the Safe Operation of Ships and Pollution Prevention (ISM Code). The ISM Code requires ship owners and bareboat charterers to develop and maintain an extensive Safety Management System (SMS) that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject the owner or charterer to increased liability, may decrease available insurance coverage for the affected vessels, and may result in a denial of access to, or detention in, certain ports. Currently, each of the vessels in our fleet is ISM Code-certified. Because these certifications are critical to our business, we place a high priority on maintaining them. For this reason, we believe it is highly unlikely that such certifications would be discontinued. However, there is the possibility that such certifications will not be maintained.

We currently maintain, for each of our vessels, pollution liability coverage insurance in the amount of \$1.0 billion per incident. In addition, we carry hull and machinery and protection and indemnity insurance to cover the risks of fire and explosion. Under certain circumstances, fire and explosion could result in a catastrophic loss. We believe that our present insurance coverage is adequate, not all risks can be insured, and there is the possibility that any sp