

Seaspan CORP  
Form 6-K  
May 21, 2012  
Table of Contents

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

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13a-16 OR 15d-16**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2012

Commission File Number 1-32591

**SEASPAN CORPORATION**

(Exact name of Registrant as specified in its Charter)

Unit 2, 7th Floor

Bupa Centre

141 Connaught Road West

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**Hong Kong**

**China**

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(1). Yes  No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(7). Yes  No

**Table of Contents**

**Item 1 Information Contained in this Form 6-K Report**

Attached as Exhibit I is Seaspan Corporation's report on Form 6-K for the quarter ended March 31, 2012. This Form 6-K is hereby incorporated by reference into the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission on May 30, 2008 on Form F-3D (Registration No. 333-151329), the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission on August 19, 2010 on Form F-3 (Registration No 333-168938), the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission on March 31, 2011 on Form S-8 (Registration No. 333-173207) and the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission on April 24, 2012 on Form F-3ASR (Registration No 333-180895).

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEASPAN CORPORATION

Date: May 18, 2012

By: /s/ Sai W. Chu  
Sai W. Chu  
Chief Financial Officer

**Table of Contents****EXHIBIT I****SEASPAN CORPORATION****REPORT ON FORM 6-K FOR THE QUARTER ENDED MARCH 31, 2012****INDEX**

|   |    |
|---|----|
| <b><u>PART I FINANCIAL INFORMATION</u></b>  | 1  |
| <u>Item 1 Interim Consolidated Financial Statements (Unaudited)</u>                                 | 1  |
| <u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 26 |
| <u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u>                            | 42 |
| <b><u>PART II OTHER INFORMATION</u></b>   | 44 |
| <u>Item 1 Legal Proceedings</u>   | 44 |
| <u>Item 1A Risk Factors</u>   | 44 |
| <u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>                           | 44 |
| <u>Item 3 Defaults Upon Senior Securities</u>   | 44 |
| <u>Item 4 Removed and Reserved</u>  | 45 |
| <u>Item 5 Other Information</u>   | 45 |
| <u>Item 6 Exhibits</u>  | 45 |

Unless we otherwise specify, when used in this Report the terms Seaspan, the Company, we, our and us refer to Seaspan Corporation and its subsidiaries. References to our Manager are to Seaspan Management Services Limited and its wholly owned subsidiaries (including Seaspan Ship Management Ltd.), which provide us with all of our technical, administrative and strategic services. In January 2012, we acquired our Manager.

References to shipbuilders are as follows:

| <b>Shipbuilders</b>                                     | <b>Reference</b> |
|---|------------------|
| Hyundai Heavy Industries Co., Ltd.                      | HHI              |
| Hyundai Samho Heavy Industries Co., Ltd. <sup>(1)</sup> | HSHI             |
| Jiangsu New Yangzi Shipbuilding Co., Ltd.               | New Jiangsu      |
| Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd.             | Jiangsu Xinfu    |

<sup>(1)</sup> A subsidiary of HHI.

**Table of Contents**

References to customers are as follows:

| <b>Customers</b>  | <b>Reference</b> |
|---|------------------|
| China Shipping Container Lines (Asia) Co., Ltd <sup>(1)</sup> | CSCL Asia        |
| Compañía Sud Americana De Vapores S.A.                        | CSAV             |
| COSCO Container Lines Co., Ltd <sup>(2)</sup>                 | COSCON           |
| Hanjin Shipping Co., Ltd.                                     | Hanjin           |
| Hapag-Lloyd USA, LLC <sup>(3)</sup>                           | HL USA           |
| Kawasaki Kisen Kaisha Ltd.                                    | K-Line           |
| Mediterranean Shipping Company S.A.                           | MSC              |
| Mitsui O.S.K. Lines, Ltd.                                     | MOL              |
| United Arab Shipping Company (S.A.G.)                         | UASC             |

<sup>(1)</sup> A subsidiary of China Shipping Container Lines Co., Ltd., or CSCL

<sup>(2)</sup> A subsidiary of China COSCO Holdings Company Limited

<sup>(3)</sup> A subsidiary of Hapag-Lloyd, AG, or Hapag-Lloyd

We use the term twenty foot equivalent unit, or TEU, the international standard measure of containers, in describing the capacity of our containerships, which are also commonly referred to as vessels. In this Report, we identify the classes of the vessels in our fleet by their approximate average TEU capacity of the vessels in each class. However, we note that the actual TEU capacity of the vessels may differ from the approximate average TEU capacity.

The information and the unaudited consolidated financial statements in this Report should be read in conjunction with the consolidated financial statements and related notes and the Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 20-F for the year ended December 31, 2011, filed with the Securities and Exchange Commission, or the Commission, on March 26, 2012, or our 2011 Annual Report. We prepare our consolidated financial statement in accordance with United States generally accepted accounting principles, or GAAP.

**Table of Contents****SEASPAN CORPORATION****PART I FINANCIAL INFORMATION****ITEM 1 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****SEASPAN CORPORATION**

## Interim Consolidated Balance Sheets

(Unaudited)

(Expressed in thousands of United States dollars, except number of shares and par value amounts)

|  | March 31,<br>2012 | December 31,<br>2011 |
|--|-------------------|----------------------|
| <b>Assets</b>  |                   |                      |
| Current assets:  |                   |                      |
| Cash and cash equivalents                                | \$ 289,478        | \$ 481,123           |
| Short-term investments                                   | 10,578            |                      |
| Accounts receivable                                      | 16,945            | 6,837                |
| Prepaid expenses   | 26,608            | 17,398               |
| Gross investment in lease                                | 14,600            | 14,640               |
|  | 358,209           | 519,998              |
| Vessels (note 5)   | 4,832,805         | 4,697,249            |
| Deferred charges (note 6)                                | 45,386            | 45,917               |
| Gross investment in lease                                | 92,198            | 95,798               |
| Goodwill (note 3)  | 66,662            |                      |
| Other assets (note 7)                                    | 78,202            | 88,754               |
|  | \$ 5,473,462      | \$ 5,447,716         |
| <b>Liabilities and Shareholders' Equity</b>              |                   |                      |
| Current liabilities:                                     |                   |                      |
| Accounts payable and accrued liabilities (note 14(a))    | \$ 55,164         | \$ 47,400            |
| Current portion of deferred revenue (note 8)             | 23,666            | 23,257               |
| Current portion of long-term debt (note 9)               | 78,039            | 81,482               |
| Current portion of other long-term liabilities (note 10) | 37,045            | 37,649               |
|  | 193,914           | 189,788              |
| Long-term deferred revenue (note 8)                      | 11,298            | 12,503               |
| Long-term debt (note 9)                                  | 2,958,137         | 2,914,247            |
| Other long-term liabilities (note 10)                    | 643,035           | 583,263              |
| Fair value of financial instruments (note 17(b))         | 539,010           | 564,490              |
| Shareholders' equity:                                    |                   |                      |

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|   |              |              |
|---|--------------|--------------|
| Share capital (note 11):  |              |              |
| Preferred shares; \$0.01 par value; 65,000,000 shares authorized  |              |              |
| Class A common shares; \$0.01 par value;<br>200,000,000 shares authorized; 62,819,328 shares issued and outstanding (2011 - 69,620,060) |              |              |
| Class B common shares; \$0.01 par value; 25,000,000 shares authorized; nil shares issued and outstanding<br>(2011 - nil)                |              |              |
| Class C common shares; \$0.01 par value; 100 shares authorized; nil shares issued and outstanding (2011 - 100)                          | 770          | 838          |
| Treasury shares   | (1,444)      |              |
| Additional paid in capital  | 1,773,435    | 1,860,979    |
| Deficit   | (591,415)    | (622,406)    |
| Accumulated other comprehensive loss  | (53,278)     | (55,986)     |
|   | 1,128,068    | 1,183,425    |
|   | \$ 5,473,462 | \$ 5,447,716 |

Commitments and contingent obligations (note 15)

Subsequent events (note 18)

See accompanying notes to interim consolidated financial statements.

**Table of Contents****SEASPAN CORPORATION**

## Interim Consolidated Statements of Operations

(Unaudited)

(Expressed in thousands of United States dollars, except per share amounts)

|   | Three months ended<br>March 31,<br>2012 | Three months ended<br>March 31,<br>2011 |
|---|---|---|
| Revenue                                       | \$ 152,089                              | \$ 120,995                              |
| Operating expenses:                           |   |   |
| Ship operating (note 4)                       | 34,550                                  | 31,066                                  |
| Depreciation                                  | 37,281                                  | 29,958                                  |
| General and administrative                    | 5,850                                   | 2,694                                   |
|   | 77,681                                  | 63,718                                  |
| Operating earnings                            | 74,408                                  | 57,277                                  |
| Other expenses (income):                      |   |   |
| Interest expense                              | 16,975                                  | 10,147                                  |
| Interest income                               | (308)                                   | (155)                                   |
| Interest income from leasing                  | (1,343)                                 |   |
| Undrawn credit facility fee                   | 805                                     | 1,261                                   |
| Amortization of deferred charges (note 6)     | 2,211                                   | 1,274                                   |
| Change in fair value of financial instruments | 4,676                                   | (5,802)                                 |
| Equity loss on investment                     | 134                                     |   |
|   | 23,150                                  | 6,725                                   |
| Net earnings                                  | \$ 51,258                               | \$ 50,552                               |
| Earnings per share (note 12):                 |   |   |
| Class A common share, basic                   | \$ 0.54                                 | \$ 0.56                                 |
| Class A common share, diluted                 | 0.51                                    | 0.53                                    |
| Class C common share, basic and diluted       |   |   |

See accompanying notes to interim consolidated financial statements.



**Table of Contents****SEASPAN CORPORATION**

Interim Consolidated Statements of Comprehensive Income

(Unaudited)

(Expressed in thousands of United States dollars)

|   | <b>Three months ended<br/>March 31,<br/>2012</b> | <b>Three months ended<br/>March 31,<br/>2011</b> |
|---|--|--|
| Net earnings  | \$ 51,258  | \$ 50,552  |
| Other comprehensive income:   |  |  |
| Amounts reclassified to net earnings during the period, relating to cash flow hedging instruments | 2,708  | 3,376  |
| Comprehensive income  | \$ 53,966  | \$ 53,928  |

See accompanying notes to interim consolidated financial statements.

**Table of Contents****SEASPAN CORPORATION**

Interim Consolidated Statements of Shareholders' Equity

(Unaudited)

(Expressed in thousands of United States dollars, except number of shares)

Three months ended March 31, 2012 and year ended December 31, 2011

|   | Number of common shares |         | Number of preferred shares |           |            | Common shares | Preferred shares | Treasury shares | Additional paid-in capital | Deficit      | Accumulated other comprehensive loss | Total shareholders' equity |
|---|-------------------------|---------|----------------------------|-----------|------------|---------------|------------------|-----------------|----------------------------|--------------|--------------------------------------|----------------------------|
|   | Class A                 | Class C | Series A                   | Series B  | Series C   |               |                  |                 |                            |              |                                      |                            |
| Balance, December 31, 2010, brought forward             | 68,601,240              | 100     | 200,000                    | 260,000   |            | \$ 686        | \$ 5             | \$              | \$ 1,526,822               | \$ (469,616) | \$ (68,161)                          | \$ 989,736                 |
| Redemption of Series B preferred shares                 |                         |         |                            | (260,000) |            |               | (3)              |                 | (27,470)                   | 2,873        |                                      | (24,600)                   |
| Series C preferred shares issued (note 11)              |                         |         |                            |           | 14,000,000 |               | 140              |                 | 349,860                    |              |                                      | 350,000                    |
| Fees and expenses in connection with preferred shares   |                         |         |                            |           |            |               |                  |                 | (9,750)                    |              |                                      | (9,750)                    |
| Premium on issuance of Series C preferred Shares        |                         |         |                            |           |            |               |                  |                 | 4,289                      |              |                                      | 4,289                      |
| Shares issued through dividend reinvestment program     | 975,620                 |         |                            |           |            | 10            |                  |                 | 13,029                     |              |                                      | 13,039                     |
| Share-based compensation (note 13)                      | 43,200                  |         |                            |           |            |               |                  |                 | 2,528                      |              |                                      | 2,528                      |
| Net loss  |                         |         |                            |           |            |               |                  |                 |                            | (83,400)     |                                      | (83,400)                   |
| Other comprehensive income                              |                         |         |                            |           |            |               |                  |                 |                            |              | 12,175                               | 12,175                     |
| Dividends on class A common shares (\$0.6875 per share) |                         |         |                            |           |            |               |                  |                 | 841                        | (47,414)     |                                      | (47,414)                   |
|   |                         |         |                            |           |            |               |                  |                 |                            | (1,813)      |                                      | (972)                      |

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|   |              |       |         |            |        |         |            |              |              |             |              |
|---|--------------|-------|---------|------------|--------|---------|------------|--------------|--------------|-------------|--------------|
| Dividends on Series B preferred shares                  |              |       |         |            |        |         |            |              |              |             |              |
| Dividends on Series C preferred shares                  |              |       |         |            |        |         |            |              | (22,206)     |             | (22,206)     |
| Amortization of Series C issuance costs                 |              |       |         |            |        |         | 830        |              | (830)        |             |              |
| Balance, December 31, 2011                              | 69,620,060   | 100   | 200,000 | 14,000,000 | 696    | 142     | 1,860,979  | (622,406)    | (55,986)     |             | 1,183,425    |
| Shares issued through dividend reinvestment program     | 292,657      |       |         |            | 3      |         | 4,358      |              |              |             | 4,361        |
| Share-based compensation (note 13)                      | 69,250       |       |         |            | 1      |         | 770        |              |              |             | 771          |
| Net earnings  |              |       |         |            |        |         |            | 51,258       |              |             | 51,258       |
| Other comprehensive income                              |              |       |         |            |        |         |            |              |              | 2,708       | 2,708        |
| Dividends on class A common shares (\$0.1875 per share) |              |       |         |            |        |         |            |              | (11,735)     |             | (11,735)     |
| Shares repurchased, including related expenses          | (11,300,000) |       |         |            | (113)  |         | (170,496)  |              |              |             | (170,609)    |
| Shares issued and retired on acquisition (note 3)       | 4,220,728    | (100) |         |            | 42     |         | 77,605     |              |              |             | 77,647       |
| Treasury shares acquired                                | (83,367)     |       |         |            | (1)    | (1,444) |            |              |              |             | (1,445)      |
| Dividends on Series C preferred shares                  |              |       |         |            |        |         |            |              | (8,313)      |             | (8,313)      |
| Amortization of Series C issuance costs                 |              |       |         |            |        |         | 219        |              | (219)        |             |              |
| Balance, March 31, 2012                                 | 62,819,328   |       | 200,000 | 14,000,000 | \$ 628 | \$ 142  | \$ (1,444) | \$ 1,773,435 | \$ (591,415) | \$ (53,278) | \$ 1,128,068 |

See accompanying notes to interim consolidated financial statements.

**Table of Contents****SEASPAN CORPORATION**

## Interim Consolidated Statements of Cash Flows

(Unaudited)

(Expressed in thousands of United States dollars)

|  | Three months ended<br>March 31, 2012 | Three months ended<br>March 31, 2011 |
|--|--------------------------------------|--------------------------------------|
| Cash provided by (used in):  |                                      |                                      |
| Operating activities:  |                                      |                                      |
| Net earnings   | \$ 51,258                            | \$ 50,552                            |
| Items not involving cash:  |                                      |                                      |
| Depreciation   | 37,281                               | 29,958                               |
| Share-based compensation (note 13)                                     | 586                                  | 387                                  |
| Amortization of deferred charges (note 6)                              | 2,211                                | 1,274                                |
| Amounts reclassified from other comprehensive loss to interest expense | 2,542                                | 3,285                                |
| Unrealized change in fair value of financial instruments (note 17)     | (25,783)                             | (35,552)                             |
| Equity loss on investment  | 134                                  |                                      |
| Changes in assets and liabilities:                                     |                                      |                                      |
| Prepaid expenses and accounts receivable                               | 14,849                               | (1,378)                              |
| Other assets and deferred charges                                      | 1,390                                | (4,577)                              |
| Accounts payable and accrued liabilities                               | (29,608)                             | (3,321)                              |
| Deferred revenue   | (795)                                | (4,139)                              |
| Other long-term liabilities (note 10)                                  | (4,306)                              | (100)                                |
| <b>Cash from operating activities</b>                                  | <b>49,759</b>                        | <b>36,389</b>                        |
| Financing activities:  |                                      |                                      |
| Series C preferred shares issued, net of share issue costs             |                                      | 240,376                              |
| Draws on credit facilities (note 9)                                    | 45,490                               | 1,910                                |
| Shares repurchased, including related expenses (note 11)               | (170,609)                            |                                      |
| Repayment of credit facilities (note 9)                                | (10,042)                             |                                      |
| Repayment on other long-term liabilities (note 10)                     | (24,649)                             | (2,213)                              |
| Financing fees (note 6)  | (16)                                 | (682)                                |
| Dividends on common shares   | (7,367)                              | (6,251)                              |
| Dividends on preferred shares  | (8,313)                              | (320)                                |
| <b>Cash from (used in) financing activities</b>                        | <b>(175,506)</b>                     | <b>232,820</b>                       |
| Investing activities:  |                                      |                                      |
| Expenditures for vessels   | (86,635)                             | (90,561)                             |
| Cash acquired on acquisition of Seaspan Management Services Ltd.       | 23,910                               |                                      |
| Short term investments   | (10,214)                             |                                      |
| Intangible assets  | 7,041                                | (589)                                |
| <b>Cash used in investing activities</b>                               | <b>(65,898)</b>                      | <b>(91,150)</b>                      |
| Increase (decrease) in cash and cash equivalents                       | (191,645)                            | 178,059                              |
| Cash and cash equivalents, beginning of period                         | 481,123                              | 34,219                               |

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|  |    |         |    |         |
|--|----|---------|----|---------|
| Cash and cash equivalents, end of period | \$ | 289,478 | \$ | 212,278 |
|--|----|---------|----|---------|

Supplementary information (note 14(b))

See accompanying notes to interim consolidated financial statements.

**Table of Contents**

**SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**1. General:**

Seaspan Corporation (the Company) was incorporated on May 3, 2005 in the Marshall Islands and owns and operates containerships pursuant to primarily long-term, fixed-rate time charters to major container liner companies.

The accompanying financial information is unaudited and reflects all adjustments, consisting solely of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of results for the interim periods presented. They do not include all disclosures required under United States generally accepted accounting principles for annual financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the December 31, 2011 consolidated financial statements filed with the Securities and Exchange Commission in the Company's Annual Report on Form 20-F.

**2. Significant accounting policies:**

On January 27, 2012, the Company acquired Seaspan Management Services Limited (the Manager). See note 3 for a description of the acquisition. The results of the Manager have been included in the Company's consolidated financial statements since the date of acquisition and result in the following changes to our significant accounting policies:

(a) Principles of consolidation:

The accompanying financial statements include the accounts of Seaspan Corporation and all of its subsidiaries, which are wholly-owned. As of March 31, 2012, the following additional subsidiaries are being consolidated:

Seaspan Management Services Limited;

Seaspan Ship Management Ltd.;

Seaspan Crew Management Ltd.;

Seaspan Advisory Services Limited;

Seaspan Crew Management India Private Limited.

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(b) Foreign currency translation:

The functional and reporting currency is the United States dollar. Transactions incurred in other currencies are translated into United States dollars using the exchange rate at the time of the transaction. Monetary assets and liabilities as of the financial reporting date are translated into United States dollars using exchange rates at that date. Exchange gains and losses are included in net earnings.

**Table of Contents****SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**2. Significant accounting policies (continued):**

## (c) Goodwill

Goodwill represents the excess of the purchase price of an acquired enterprise over the fair value assigned to assets acquired and liabilities assumed in a business combination. Goodwill and indefinite-lived intangible assets are not amortized, but reviewed for impairment annually or more frequently if impairment indicators arise. A fair value approach is used to identify potential goodwill impairment and, when necessary, measure the amount of impairment. The Company uses a discounted cash flow model to determine the fair value of reporting units, unless there is a readily determinable fair market value. Intangible assets with finite lives are amortized over their useful lives. Intangible assets with finite lives are assessed for impairment when and if impairment indicators exist. An impairment loss is recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its fair value.

**3. Acquisition of Seaspan Management Services Limited:**

On January 27, 2012, the Company acquired 100 percent of the outstanding shares of the Manager, an affiliated privately owned company that has provided technical, administrative and strategic services to the Company. The Company's acquisition of the Manager will increase its control over access to the first-rate services that the Manager provides to the Company on a long-term basis, and reduce certain conflicts between the Company and its directors who have interests in the Manager.

The aggregate purchase price, excluding potential balance sheet adjustments, was \$97,705,000, including:

|  |               |
|--|---------------|
| 4,220,728 of the Company's Class A common shares | \$ 66,899     |
| Contingent consideration                         | 9,953         |
| Settlement of intercompany balances              | 19,693        |
| Stock based compensation (note 13)               | 1,160         |
| <b>Aggregate purchase price</b>                  | <b>97,705</b> |

Under the Share Purchase Agreement, \$7,500,000 or 586,212 shares of Class A common shares have been deposited in escrow for settlement of potential indemnifiable damages. If there are no claims for indemnification, the escrowed shares will be released within three business days of January 27, 2013.

The value of the Company's Class A common shares issued was determined based on the closing market price of those common shares on January 27, 2012, which was the date the acquisition closed.



**Table of Contents****SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**3. Acquisition of Seaspan Management Services Limited (continued):**

The contingent consideration arrangement requires the Company to pay the former owners of the Manager additional consideration of 39,081 of the Company's Class A common shares for each of certain containerships ordered or acquired by the Company, Greater China Intermodal Investments LLC or Blue Water Commerce, LLC after December 12, 2011 and prior to August 15, 2014 and which are to be managed by the Manager or the Company.

For the three months ended March 31, 2012, the Company incurred \$0.4 million of acquisition-related costs that have been included in general and administrative expense in the Company's consolidated statements of operations.

The results of the Manager have been included in the Company's consolidated financial statements from January 27, 2012 and include revenue of \$nil and net earnings attributable to Seaspan Corporation of \$76,000.

As the Company is in the process of valuing the assets acquired and liabilities assumed, the purchase price and allocation of the purchase price remains subject to finalization. The following table summarizes the estimated fair value of the identifiable assets acquired and liabilities assumed:

|                              |                |
|------------------------------|----------------|
| Cash and cash equivalents    | \$ 23,911      |
| Current assets               | 34,525         |
| Other assets                 | 5,335          |
| Capital assets               | 678            |
| Intangible assets            | 1,706          |
| Goodwill                     | 66,662         |
| <b>Total assets acquired</b> | <b>132,817</b> |
| Debt assumed                 | 5,000          |
| Current liabilities          | 29,153         |
| Other long-term liabilities  | 959            |
| <b>Net assets acquired</b>   | <b>97,705</b>  |

The goodwill of \$66,662,000 arising from the acquisition is attributable to the workforce of the acquired business and the synergies expected to arise after the Company's acquisition of the Manager. All of the goodwill was assigned to Seaspan Corporation. The goodwill is not expected to be deductible for tax purposes.

The Company purchased identifiable intangible assets (customer contract) estimated at \$1,706,000 with an estimated useful life of 5 years.

Pro forma information:

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If the acquisition of the Manager had occurred as of January 1, 2011, the pro forma operating results would not be materially different from the pre-acquisition results reported by the Company.

**Table of Contents****SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**4. Related party transactions:**

Prior to the acquisition, the ultimate beneficial owners of the Manager also directly and indirectly owned common shares, or common shares and preferred shares, of the Company.

The Company had management agreements with the Manager for the provision of certain technical, strategic and administrative services for fees:

**Technical Services** - The Manager was responsible for providing ship operating services to the Company in exchange for a fixed fee per day per vessel as described below. The technical services fee does not include certain extraordinary items, as defined in the management agreements.

**Administrative and Strategic Services** - The Manager provided administrative and strategic services to the Company for the management of the business for a fixed fee of \$72,000 per year. The Company also reimbursed all reasonable expenses incurred by the Manager in providing these services to the Company.

The following are technical service fees that were charged under the Management Agreements in place up to the acquisition date:

| Vessel class<br>(TEU) | Number of<br>vessels | Weighted-average<br>technical<br>services fee<br>(in whole<br>amounts,<br>per vessel per<br>day) |
|-----------------------|----------------------|--|
| 2500                  | 10                   | \$ 5,132   |
| 3500                  | 2                    | 5,242  |
| 4250                  | 24                   | 5,465  |
| 4500                  | 5                    | 6,916  |
| 4800                  | 4                    | 50   |
| 5100                  | 4                    | 6,482  |
| 8500                  | 10                   | 7,268  |
| 9600                  | 2                    | 7,406  |
| 13100                 | 8                    | 8,545  |

**Table of Contents****SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**4. Related party transactions (continued):**

The following table summarizes the amounts incurred for the period from January 1, 2012 to the date of acquisition and for the three months ended March 31, 2011:

|  | <b>Three months ended<br/>March 31, 2012</b> | <b>Three months ended<br/>March 31, 2011</b> |
|--|--|--|
| <b>Costs incurred under the Management Agreements</b>              |  |  |
| Technical services   | \$ 9,712                                     | \$ 30,667                                    |
| Dry-dock activities included in technical services                 | 419  | 1,331  |
| Administrative and strategic services                              | 5  | 18   |
| Reimbursed expenses  | 305  | 864  |
| Construction supervision   | 100  | 488  |
| <b>Costs incurred with the Manager and parties related thereto</b> |  |  |
| Consulting services  |  | 42   |
| Arrangement fee  |  |  |
| <b>Due from related parties</b>                                    | <b>855</b>                                   |  |

**Table of Contents****SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**5. Vessels:**

| <b>March 31, 2012</b>      | <b>Cost</b>  | <b>Accumulated<br/>depreciation</b> | <b>Net book<br/>value</b> |
|----------------------------|--------------|-------------------------------------|---------------------------|
| Vessels                    | \$ 5,033,278 | \$ 432,010                          | \$ 4,601,268              |
| Vessels under construction | 231,537      |                                     | 231,537                   |
|                            | \$ 5,264,815 | \$ 432,010                          | \$ 4,832,805              |
| <b>December 31, 2011</b>   | <b>Cost</b>  | <b>Accumulated<br/>depreciation</b> | <b>Net book<br/>value</b> |
| Vessels                    | \$ 4,684,325 | \$ 394,994                          | \$ 4,289,331              |
| Vessels under construction | 407,918      |                                     | 407,918                   |
|                            | \$ 5,092,243 | \$ 394,994                          | \$ 4,697,249              |

During the three month period ended March 31, 2012, the Company capitalized interest costs of \$2,085,000 (March 31, 2011 - \$4,832,000) as vessels under construction.

**Table of Contents****SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**6. Deferred charges:**

|                          | Dry-docking | Financing<br>fees | Total     |
|--------------------------|-------------|-------------------|-----------|
| December 31, 2011        | \$ 9,370    | \$ 36,547         | \$ 45,917 |
| Cost incurred            | 1,947       | 16                | 1,963     |
| Amortization expensed    | (650)       | (1,561)           | (2,211)   |
| Amortization capitalized |             | (283)             | (283)     |
| March 31, 2012           | \$ 10,667   | \$ 34,719         | \$ 45,386 |

**7. Other assets:**

|                         | March 31,<br>2012 | December 31,<br>2011 |
|-------------------------|-------------------|----------------------|
| Prepaid expense         | \$                | \$ 11,203            |
| Intangible assets       | 3,394             | 6,538                |
| Investment in affiliate | 650               | 784                  |
| Capital assets          | 660               |                      |
| Restricted cash         | 65,000            | 65,000               |
| Other                   | 8,498             | 5,229                |
| Other assets            | \$ 78,202         | \$ 88,754            |

**8. Deferred revenue:**

|                                       | March 31,<br>2012 | December 31,<br>2011 |
|---------------------------------------|-------------------|----------------------|
| Deferred revenue on time charters     | \$ 18,638         | \$ 17,779            |
| Deferred interest on lease receivable | 16,326            | 17,981               |
| Other deferred revenue                |                   |                      |
| Deferred revenue                      | 34,964            | 35,760               |
| Current portion                       | (23,666)          | (23,257)             |

\$ 11,298      \$ 12,503

**Table of Contents****SEASPAN CORPORATION**

## Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**9. Long-term debt:**

|   | March 31,<br>2012 | December 31,<br>2011 |
|---|-------------------|----------------------|
| Long-term debt:                           |                   |                      |
| \$1.3 billion revolving credit facility   | \$ 1,032,745      | \$ 1,032,745         |
| \$365.0 million revolving credit facility | 315,800           | 323,200              |
| \$218.4 million credit facility           | 217,661           | 217,661              |
| \$920.0 million revolving credit facility | 890,257           | 890,257              |
| \$150.0 million revolving credit facility | 80,326            | 79,672               |
| \$291.2 million credit facility           | 200,423           | 202,026              |
| \$235.3 million credit facility           | 226,353           | 182,168              |
| \$53 million term loan credit facility    | 52,611            | 53,000               |
| \$15.0 million term loan                  | 15,000            | 15,000               |
| \$5.0 million line of credit              | 5,000             |                      |
| \$150.0 million credit facility           |                   |                      |
| Long-term debt                            | 3,036,176         | 2,995,729            |
| Current portion                           | (78,039)          | (81,482)             |
| Long-term debt                            | \$ 2,958,137      | \$ 2,914,247         |

## Minimum repayments:

As at March 31, 2012, minimum repayments for the balances outstanding with respect to the credit facilities are as follows:

|                   |              |
|-------------------|--------------|
| Remainder of 2012 | \$ 130,643   |
| 2013              | 155,600      |
| 2014              | 282,668      |
| 2015              | 802,873      |
| 2016              | 109,564      |
| Thereafter        | 1,554,828    |
|                   | \$ 3,036,176 |

The minimum repayments above are determined based on amounts outstanding at period end, pro-rated to reflect commitment reduction schedules for each related facility as if they were fully drawn. Actual repayments may differ from the amounts presented as repayment timing is impacted by the balance outstanding at each commitment reduction date.





**Table of Contents****SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**10. Other long-term liabilities:**

|                                    | March 31,<br>2012 | December 31,<br>2011 |
|------------------------------------|-------------------|----------------------|
| Other long-term liability          | \$ 679,880        | \$ 620,512           |
| Accrued liabilities                | 200               | 400                  |
| <b>Other long-term liabilities</b> | <b>680,080</b>    | <b>620,912</b>       |
| Current portion                    | (37,045)          | (37,649)             |
|                                    | <b>\$ 643,035</b> | <b>\$ 583,263</b>    |

The Company, through certain of its wholly-owned consolidated subsidiaries, has entered into non-recourse or limited recourse sale-leaseback arrangements with financial institutions to fund the construction of certain vessels under existing shipbuilding contracts.

In these arrangements, the Company has agreed to transfer the vessels to the lessors and, commencing from the delivery of the vessels from the shipyard, lease the vessel back from the lessor over the applicable lease term. In the arrangements where the shipbuilding contracts are novated to the lessors, the lessors assume responsibility for the remaining payments under the shipbuilding contracts.

The leases in these arrangements are capital leases in the consolidated financial statements and, during the construction period, the lessees are the owners of the vessels under construction for accounting purposes.

In certain of the arrangements, the lessors are wholly-owned subsidiaries of financial institutions that are variable interest entities and whose only assets and operations are to hold the Company's leases and vessels. The Company operates the vessels during the lease term and supervises the vessels' construction before the lease term begins. As a result, the Company is the primary beneficiary of the lessors and consolidates the lessors for financial reporting purposes.

The terms of the leases are as follows:

## (a) Leases for five 4500 TEU vessels:

As of March 31, 2012, the carrying value of the vessels being funded under this facility is \$466,964,000 (December 31, 2011 \$470,770,000).

## (b) Lease for one 13100 TEU vessel:

As of March 31, 2012, the carrying value of the vessel being funded under this facility is \$168,992,000 (December 31, 2011 \$170,330,000).



**Table of Contents****SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**10. Other long-term liabilities (continued):**

(c) Lease for one 13100 TEU vessel:

The term of the lease is 12 years beginning from the vessel's delivery date. The lessor has provided \$109,000,000 of financing. Lease payments include an interest component based on three month LIBOR. The outstanding balance of the lease at the end of the lease term will be zero and the lessee will have the option to purchase the vessel from the lessor for \$1.

This vessel delivered during the quarter ended March 31, 2012. As of March 31, 2012, the carrying value of the vessel being funded under this facility is \$174,496,000 (December 31, 2011 - \$89,790,000).

Based on maximum amounts funded, payments under the leases would be due to the lessors as follows:

|                            |            |
|----------------------------|------------|
| Remainder of 2012          | \$ 44,823  |
| 2013                       | 64,646     |
| 2014                       | 63,397     |
| 2015                       | 127,384    |
| 2016                       | 293,351    |
| Thereafter                 | 218,013    |
|                            | 811,614    |
| Less amounts representing: |            |
| Interest                   | (131,734)  |
|                            | \$ 679,880 |

**11. Share capital:**

(a) Common shares:

On January 19, 2012, the Company accepted the re-purchase of 11,300,000 shares of its common stock at a price of \$15.00 per share, for an aggregate cost of \$170,609,000 including fees and expenses of \$1,109,000 relating to the tender offer.

In January 2012, the Company issued 4,220,728 Class A common shares valued at \$66,899,000 for the purchase of the Manager (note 3). Pursuant to the Share Purchase Agreement, all of the outstanding class C common shares were cancelled and retired.

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In February 2012, the Company adopted an open market share repurchase plan of up to \$50,000,000 of its Class A common shares. There were no Class A common shares repurchased via the open market share repurchase plan during the three months ended March 31, 2012.

**Table of Contents****SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**11. Share capital (continued):**

(b) Preferred shares:

The Company had the following preferred shares outstanding:

| Series | Shares     |            | Liquidation preference |                      |
|--------|------------|------------|------------------------|----------------------|
|        | Authorized | Issued     | March 31,<br>2012      | December<br>31, 2011 |
| A      | 315,000    | 200,000    | \$ 279,805             | \$ 271,677           |
| C      | 40,000,000 | 14,000,000 | 350,000                | 350,000              |

On January 28, 2011, the Company issued 10,000,000 Series C preferred shares for gross proceeds of \$250 million. The Series C preferred shares were issued for cash and pay cumulative quarterly dividends at a rate 9.5% per annum from their date of issuance. At any time on or after January 30, 2016, the Series C Preferred Shares may be redeemed, in whole or in part at a redemption price of \$25.00 per share plus unpaid dividends. If the Company fails to comply with certain covenants, default on any of its credit facilities, fail to pay dividends or if the Series C preferred shares are not redeemed at the option of the Company, in whole by January 30, 2017, the dividend rate payable on the Series C preferred shares shall increase quarterly, subject to an aggregate maximum rate per annum of 25% prior to January 30, 2016 and 30% thereafter, to a rate that is 1.25 times the dividend rate payable on the Series C Preferred Shares. The Series C preferred shares are not convertible into common shares and are not redeemable at the option of the holder. The initial dividend on the Series C preferred shares was paid on May 2, 2011.

On May 25, 2011, the Company issued an additional 4,000,000 Series C preferred shares for gross proceeds of \$108,600,000, or \$27.15 per share. The gross proceeds include accrued dividends to May 25, 2011. The second issuance of Series C preferred shares were issued for cash and have the same terms as the initial issuance of Series C preferred shares.

**Table of Contents****SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**12. Earnings per share:**

The Company applies the if-converted method to determine the EPS impact for the convertible Series A preferred shares. The following is a reconciliation of the numerator and denominator used in the basic and diluted EPS computations.

**For the three months ended**

| <b>March 31, 2012</b>   | <b>Income<br/>(numerator)</b> | <b>Shares<br/>(denominator)</b> | <b>Per share<br/>amount</b> |
|---|-------------------------------|---------------------------------|-----------------------------|
| Net earnings  | \$ 51,258                     |                                 |                             |
| Less:   |                               |                                 |                             |
| Series A preferred share dividends                                    | (8,128)                       |                                 |                             |
| Series C preferred share dividends                                    | (8,532)                       |                                 |                             |
| <b>Basic EPS:</b>   |                               |                                 |                             |
| Income from continuing operations attributable to common shareholders | \$ 34,598                     | 63,696,000                      | \$ 0.54                     |
| <b>Effect of dilutive securities:</b>                                 |                               |                                 |                             |
| Convertible Series A preferred shares                                 | 8,128                         | 18,383,000                      |                             |
| Contingent consideration (note 3)                                     |                               | 703,000                         |                             |
| Shares held in escrow (note 3)  |                               | 586,000                         |                             |
| Share-based compensation  |                               | 198,000                         |                             |
| <b>Diluted EPS:</b>   |                               |                                 |                             |
| Income attributable to common shareholders plus assumed conversion    | \$ 42,726                     | 83,566,000                      | \$ 0.51                     |

**Table of Contents****SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**12. Earnings per share (continued):****For the three months ended**

| <b>March 31, 2011</b>   | <b>Income<br/>(numerator)</b> | <b>Shares<br/>(denominator)</b> | <b>Per share<br/>amount</b> |
|---|-------------------------------|---------------------------------|-----------------------------|
| Net earnings  | \$ 50,552                     |                                 |                             |
| Less:   |                               |                                 |                             |
| Series A preferred share dividends                                    | (7,142)                       |                                 |                             |
| Series B preferred share dividends                                    | (591)                         |                                 |                             |
| Series C preferred share dividends                                    | (4,414)                       |                                 |                             |
| <b>Basic EPS:</b>   |                               |                                 |                             |
| Income from continuing operations attributable to common shareholders | \$ 38,405                     | 68,854,000                      | \$ 0.56                     |
| <b>Effect of dilutive securities:</b>                                 |                               |                                 |                             |
| Convertible Series A preferred shares                                 | 7,142                         | 16,330,000                      |                             |
| Share-based payment   |                               | 101,000                         |                             |
| <b>Diluted EPS:</b>   |                               |                                 |                             |
| Income attributable to common shareholders plus assumed conversion    | \$ 45,547                     | 85,285,000                      | \$ 0.53                     |

**13. Share-based compensation:**

In December 2005, the Company's Board of Directors adopted the Seaspan Corporation Stock Incentive Plan (the Plan), under which our officers, employees and directors may be granted options, restricted shares, phantom shares, and other stock-based awards as may be determined by the Company's Board of Directors. A total of 2,000,000 shares of common stock are reserved for issuance under the Plan, which is administered by the Company's Board of Directors. The Plan expires ten years from the date of its adoption. As at March 31, 2012, there are 892,672 (December 31, 2011 - 987,972) remaining shares left for issuance under this plan.

Class A common shares are issued on a one for one basis in exchange for the cancellation of vested restricted shares and phantom share units. The restricted shares generally vest over one year and the phantom share units generally vest over three years.



**Table of Contents****SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**13. Share-based compensation (continued):**

A summary of the Company's outstanding restricted shares and phantom share units as of and for the three months ended March 31, 2012 is presented below:

|                   | Restricted shares |                    | Phantom share units |                    |
|-------------------|-------------------|--------------------|---------------------|--------------------|
|                   | Number of shares  | W.A. grant date FV | Number of shares    | W.A. grant date FV |
| December 31, 2011 | 43,200            | \$ 13.04           | 534,000             | \$ 12.72           |
| Granted           | 55,300            | 13.84              | 40,000              | 17.68              |
| Vested            | (43,200)          | 13.04              |                     |                    |
| March 31, 2012    | 55,300            | \$ 13.84           | 574,000             | \$ 13.07           |

As vested outstanding phantom share units are only exchanged for common shares upon written notice from the holder, the phantom share units that are exchanged for common shares may include units that vested in prior periods. At March 31, 2012, 340,000 (December 31, 2011 - 167,000) of the outstanding phantom share units were vested and available for exchange by the holder.

During the quarter ended March 31, 2012, the Company recognized \$586,000 (March 31 2011 - \$387,000) related to restricted share units and phantom share units, and \$188,000 (March 31, 2011 - nil) in share-based compensation expenses related to other stock-based awards. In addition, the Company recognized \$184,000 (March 31, 2011 - nil) in other stock-based awards that was capitalized to vessels under construction. During the three months ended March 31, 2012, the total fair value of shares vested was \$563,000 (December 31, 2011 - \$462,000). As at March 31, 2012, there was \$2,829,000 (December 31, 2011 - \$2,516,000) of total unrecognized compensation cost to be recognized relating to unvested share-based compensation awards, which are expected to be recognized over a weighted average period of 21 months.

On January 27, 2012, as part of the acquisition of the Manager, the Company continued the Manager's long-term incentive plan for certain of its employees (the Participants). Under this plan, the Manager has accrued for a bonus to employees to be paid, in part, with shares of the Company. At the acquisition date, \$1,160,000 had been recorded related to this plan which has been transferred to additional paid in capital on the acquisition date. At March 31, 2012, \$162,000 remained unrecognized. The shares will be transferred by the Company to the Participants upon termination of the long-term incentive plan on or before June 30, 2012.

**Table of Contents****SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**14. Other information:**

(a) Accounts payable and accrued liabilities:

The principal components of accounts payable and accrued liabilities are:

|                                 | March 31,<br>2012 | December 31,<br>2011 |
|---------------------------------|-------------------|----------------------|
| Due to related parties (note 4) | \$                | \$ 1,816             |
| Accrued interest                | 19,685            | 19,592               |
| Other accrued liabilities       | 35,479            | 25,992               |
|                                 | \$ 55,164         | \$ 47,400            |

(b) Supplementary information to the statement of cash flows consists of:

|  | Three months ended |                   |
|--|--------------------|-------------------|
|  | March 31,<br>2012  | March 31,<br>2011 |
| Interest paid on debt                                      | \$ 11,307          | \$ 3,966          |
| Interest received  | 234                | 122               |
| Undrawn credit facility fee paid                           | 442                | 492               |
| Non-cash transactions:                                     |                    |                   |
| Dividends on Series A preferred shares                     | 8,128              | 7,142             |
| Dividend reinvestment                                      | 4,361              | 2,330             |
| Other long-term liabilities for vessels under construction | 84,787             | 16,107            |
| Acquisition of Manager less cash received                  | 73,794             |                   |

**15. Commitments and contingent obligations:**

(a) As at March 31, 2012, based on the contractual delivery dates, the Company has outstanding commitments for the purchase of additional vessels and installment payments for vessels under construction, as follows:

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|                   |            |
|-------------------|------------|
| Remainder of 2012 | \$ 144,241 |
| 2013              | 60,440     |
| 2014              | 209,440    |
|                   | \$ 414,121 |

**Table of Contents****SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**15. Commitments and contingent obligations (continued):**

- (b) As at March 31, 2012, based on 100% utilization, the minimum future revenues to be received on committed time charter party agreements currently in effect and assuming no renewals or extensions are approximately:

|                   |                     |
|-------------------|---------------------|
| Remainder of 2012 | \$ 503,699          |
| 2013              | 652,237             |
| 2014              | 673,005             |
| 2015              | 673,282             |
| 2016              | 627,546             |
| Thereafter        | 3,097,397           |
|                   | <b>\$ 6,227,166</b> |

- (c) As of March 31, 2012, the commitment under the operating lease for its office space for the next five years is as follows:

|                   |                 |
|-------------------|-----------------|
| Remainder of 2012 | \$ 650          |
| 2013              | 953             |
| 2014              | 1,068           |
| 2015              | 1,068           |
| 2016              | 1,068           |
| Thereafter        | 1,778           |
|                   | <b>\$ 6,585</b> |

**Table of Contents****SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**16. Concentrations:**

The Company's revenue is derived from the following customers:

|           | March 31,<br>2012 | March 31,<br>2011 |
|-----------|-------------------|-------------------|
| CSCL Asia | \$ 39,800         | \$ 39,683         |
| COSCON    | 57,202            | 26,910            |
| HL USA    | 14,479            | 13,742            |
| K-Line    | 18,986            | 10,733            |
| Other     | 21,622            | 29,927            |
|           | \$ 152,089        | \$ 120,995        |

**17. Financial instruments:**

## (a) Fair value:

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values because of their short-term to maturity. As of March 31, 2012, the fair value of the Company's long-term debt is equal to \$2,557,347,000 (December 31, 2011 - \$2,551,222,000). As of March 31, 2012, the fair value of the Company's other long-term liabilities is equal to \$653,627,000 (December 31, 2011 - \$610,705,000). The fair value of long-term debt and other long-term liabilities are estimated based on expected interest and principal repayments, discounted by forward rates plus a margin appropriate to the credit risk of the Company.

The Company's interest rate derivative financial instruments are re-measured to fair value at the end of each reporting period. The fair values of the interest rate derivative financial instruments have been calculated by discounting the future cash flow of both the fixed rate and variable rate interest rate payments. The discount rate was derived from a yield curve created by nationally recognized financial institutions adjusted for the associated credit risk. The fair values of the interest rate derivative financial instruments are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Therefore, the Company has categorized the fair value of these derivative financial instruments as Level 2 in the fair value hierarchy.

## (b) Interest rate derivative financial instruments:

The Company uses derivative financial instruments, consisting of interest rate swaps and an interest rate swaption, to manage its interest rate risk associated with its variable rate debt. Prior to 2008, the Company applied hedge accounting to certain of its interest rate swaps. In 2008, the Company voluntarily de-designated all such interest rate swaps as accounting hedges such that the Company no longer applies hedge accounting. The amounts in accumulated other comprehensive loss related to the interest rate swaps to which hedge accounting was previously applied and will be recognized in earnings when and where the related interest is recognized in earnings.



**Table of Contents****SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**17. Financial instruments (continued):**

## (b) Interest rate derivative financial instruments (continued):

Counterparties to the derivative financial instruments are major financial institutions. Due to the nature of the counterparties and the fact that instruments were in favour of counterparties at March 31, 2012, the risk of credit loss related to these counterparties is considered to be immaterial at March 31, 2012.

As of March 31, 2012, the Company had the following outstanding interest rate derivatives:

| Fixed per annum rate swapped for LIBOR | Notional amount as at March 31, 2012 | Maximum notional amount <sup>(1)</sup> | Effective date     | Ending date                      |
|--|--------------------------------------|--|--------------------|----------------------------------|
| 5.6400%                                | \$ 714,500                           | \$ 714,500                             | August 31, 2007    | August 31, 2017                  |
| 4.6325%                                | 663,399                              | 663,399                                | September 15, 2005 | July 16, 2012                    |
| 5.4200%                                | 438,462                              | 438,462                                | September 6, 2007  | May 31, 2024                     |
| 5.6000%                                | 200,000                              | 200,000                                | June 23, 2010      | December 23, 2021                |
| 5.0275%                                | 111,000                              | 158,000                                | May 31, 2007       | September 30, 2015               |
| 5.5950%                                | 106,800                              | 106,800                                | August 28, 2009    | August 28, 2020                  |
| 5.2600%                                | 106,800                              | 106,800                                | July 3, 2006       | February 26, 2021 <sup>(2)</sup> |
| 5.2000%                                | 96,000                               | 96,000                                 | December 18, 2006  | October 2, 2015                  |
| 5.5150%                                | 59,700                               | 59,700                                 | February 28, 2007  | July 31, 2012                    |
| 5.1700%                                | 24,000                               | 55,500                                 | April 30, 2007     | May 29, 2020                     |
| 5.1750%                                |                                      | 663,399                                | July 16, 2012      | July 15, 2016                    |
| 5.8700%                                |                                      | 620,390                                | August 31, 2017    | November 28, 2025                |
| 5.4975%                                |                                      | 59,700                                 | July 31, 2012      | July 31, 2019                    |

<sup>(1)</sup> Over the term of the interest rate swaps, the notional amounts increase and decrease. These amounts represent the peak notional during the term of the swap.

<sup>(2)</sup> The Company has entered into a swaption agreement with a bank (Swaption Counterparty) whereby the Swaption Counterparty has the option to require the Company to enter into an interest rate swap to pay LIBOR and receive a fixed rate of 5.26%. This is a European option and is open for a two hour period on February 26, 2014 after which it expires. The notional amount of the underlying swap is \$106,800,000 with an effective date of February 28, 2014 and an expiration of February 26, 2021. If the Swaption Counterparty exercises the swaption, the underlying swap effectively offsets the Company's 5.26% pay fixed LIBOR swap from February 28, 2014 to February 26, 2021.





**Table of Contents****SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**17. Financial instruments (continued):**

(b) Interest rate derivative financial instruments (continued):

The following provides information about the Company's interest rate derivatives:

Fair value of liability derivatives:

| <b>Balance sheet location</b>       | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|-------------------------------------|---------------------------|------------------------------|
| Fair value of financial instruments | \$ 539,010                | \$ 564,490                   |

Gain (loss) recognized in income on derivatives:

| <b>Statement of operations location</b>       | <b>Three months ended</b> |                           |
|---|---------------------------|---------------------------|
|   | <b>March 31,<br/>2012</b> | <b>March 31,<br/>2011</b> |
| Change in fair value of financial instruments | \$ (4,676)                | \$ 5,802                  |

Gain (loss) reclassified from AOCI into income:

| <b>Statement of operations location</b> | <b>Three months ended</b> |                           |
|---|---------------------------|---------------------------|
|   | <b>March 31,<br/>2012</b> | <b>March 31,<br/>2011</b> |
| Interest expense                        | \$ (2,542)                | \$ (3,285)                |
| Depreciation                            | \$ (166)                  | \$ (91)                   |

The estimated amount of accumulated other comprehensive income expected to be reclassified into earnings within the next 12 months is \$7,539,000.

**18. Subsequent events:**

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- (a) On April 17, 2012, the Company declared a quarterly dividend of \$0.59375 per Series C preferred share, representing a distribution of \$8,313,000. The dividend was paid on April 30, 2012 to all shareholders of record as of April 27, 2012.
- (b) On April 18, 2012, the Company accepted delivery of the COSCO Hope from Hyundai Samho Heavy Industries Co., Ltd.
- (c) On April 27, 2012, the Company accepted delivery of the COSCO Fortune from Hyundai Heavy Industries Co., Ltd.

**Table of Contents**

**SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

Three months ended March 31, 2012

**18. Subsequent events (continued):**

- (d) On May 12, 2012, the Company declared a quarterly dividend of \$0.25 per common share, representing a distribution of \$15,726,000. The dividend is payable on June 8, 2012 to all shareholders of record as of May 29, 2012.

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**Table of Contents**

**ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

**Overview**

We are a leading independent charter owner and manager of containerships, which we charter primarily pursuant to long-term, fixed-rate time charters with major container liner companies. We primarily deploy our vessels on long-term, fixed-rate time charters to take advantage of the stable cash flow and high utilization rates that are typically associated with long-term time charters.

As of March 31, 2012, we operated a fleet of 67 vessels (including seven leased vessels) and have entered into contracts to purchase an additional five containerships (two of which have since delivered). The average age of the 67 vessels in our fleet was approximately five years as of March 31, 2012.

Our primary objective is to continue to grow our business through accretive vessel acquisitions as market conditions allow. The following table lists our customers.

**Customers for Current Fleet**

CSCL Asia  
HL USA  
COSCON  
K-Line  
MOL  
CSAV  
UASC  
MSC

**Customers for Additional Five Newbuilding Vessels**

COSCON  
Hanjin

Please read "Our Fleet" for more information about our vessels and contracts. Most of our customers' containership business revenues are derived from the shipment of goods from the Asia Pacific region, primarily China, to various overseas export markets in the United States and in Europe.

**First Quarter Significant Developments**

*Delivery of Vessels*

In March 2012, we accepted delivery of the COSCO Excellence and the COSCO Faith vessels. Both 13100 TEU vessels are on charter to COSCON under 12-year, fixed-rate time charter contracts.

*Time Charter*

In March 2012, CSCL did not exercise its option to extend the time charter for the CSCL Dalian. We plan to re-charter the vessel subject to market conditions, following its redelivery to Seaspan on or about July 2012.

*UASC Madinah*

In March 2012, we were notified the time charter for the UASC Madinah will not be extended and the vessel will be returned to us in June 2012. This vessel is owned by one of our subsidiaries, and is being chartered to us. Our subsidiary financed the vessel with a term loan from a leading U.S. bank, and this term loan will mature in June upon the expiration of the UASC time charter. Subject to certain conditions, the vessel will be sold to the U.S. bank in June 2012 for the amount outstanding under the term loan and will be leased back to our subsidiary for approximately nine years.



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## **Table of Contents**

### *Open Market Share Repurchase Plan*

In February 2012, our board of directors authorized the repurchase of up to \$50.0 million of our Class A common shares. Share repurchases may be effected from time to time through open market purchases or in privately negotiated transactions, and the repurchase program may be suspended, delayed or discontinued at any time. We have entered into a Rule 10b5-1 plan in connection with the share repurchase program. No shares were repurchased during the quarter ended March 31, 2012 under this plan.

### *Acquisition of Seaspan Management Services Limited*

In January 2012, we acquired our Manager, and we acquired and cancelled all of the issued and outstanding shares of our Class C common stock, which were owned by a subsidiary of our Manager. Prior to the acquisition, our Manager was owned 50.05% by trusts established for sons of Dennis R. Washington, including Kyle R. Washington, our co-chairman, and 49.95% by Thetis Holdings Ltd. (an entity indirectly owned by Graham Porter, one of our directors, and Gerry Wang, our co-chairman and chief executive officer). The purchase price for the acquisition, excluding any balance sheet adjustments and payments based on the future growth of the fleet managed by our Manager, was \$54.0 million, which we paid through the issuance of approximately 4.2 million of our Class A common shares, valued on a per share basis equal to \$12.794, being the volume-weighted average trading price for the 90 trading days immediately preceding the closing date of the acquisition. For accounting purposes, under U.S. GAAP, the purchase price is required to be valued at the acquisition date. Therefore, the closing share price on the day prior to acquisition of \$15.85 per share was used to value the Class A common shares at \$66.9 million.

We believe that the acquisition of our Manager increases our control over access to the services our Manager provides on a long-term basis, and reduces certain conflicts between us and our directors who had interests in our Manager. We previously paid fees to our Manager for technical services on a fixed basis, which fees were adjusted every three years. As a result of the acquisition, our costs for these services vary more directly with the actual cost of providing technical services for our fleet. For more information about the acquisition of our Manager, please read Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Acquisition of Seaspan Management Services Limited in our 2011 Annual Report.

### *Tender Offer*

In January 2012, we repurchased 11,300,000 of our Class A common shares at a price of \$15.00 per share, for an aggregate cost of \$169.5 million, excluding fees and expenses relating to the tender offer.

## **Recent Developments**

### *Subsequent Vessel Deliveries*

On April 18 and 27, 2012, we accepted delivery of the COSCO Hope and the COSCO Fortune, respectively, bringing our operating fleet to 69 vessels. Both 13100 TEU vessels are on charter to COSCON under 12-year, fixed-rate time charter contracts.

### *Time Charter*

On April 24, 2012, we fixed the CSCL Ningbo on a six-month time charter with CSCL at a charter rate of \$8,450 per day, with an additional six-month extension option at a charter rate of \$12,250 per day.

### *Dividends*

On May 12, 2012, our board of directors declared a quarterly dividend of \$0.25 per common share of our Class A common stock. The dividend will be paid on June 8, 2012 to all shareholders of record as of May 29, 2012. This represents a 33.3% increase over the previous quarterly common share dividend. With this dividend, we have increased our quarterly common share dividend by 150% since March 31, 2010. We expect common share dividends for the four quarters ending December 31, 2012 to total \$1.00 per share.

**Table of Contents**

On April 30, 2012, we paid a quarterly dividend of \$0.59375 per share on our 9.5% Series C preferred shares, representing a distribution of \$8.3 million. The dividend was paid to all 9.5% Series C preferred shareholders of record as of April 27, 2012 for the period from January 30, 2012 to April 29, 2012.

*Loan Facility Transaction*

On May 12, 2012, three of our subsidiaries concluded documentation for a \$224.0 million loan facility with a leading Chinese bank relating to the construction of our three 10000 TEU newbuilding vessels. We expect the agreement to be executed by early June 2012. These vessels are scheduled to be delivered in 2014, when they will commence operations under charters with Hanjin for a period of 10 years, plus an additional two years at the option of Hanjin. We have conditionally guaranteed certain financial obligations of our subsidiaries to the Chinese bank under the loan facility.

**Our Fleet***Our Current Fleet*

The following table summarizes key facts regarding our 67 operating vessels as of March 31, 2012:

| Vessel Name                    | Vessel Class (TEU) | Year Built | Charter Start Date | Charterer | Length of Charter               | Daily Charter Rate (in thousands) |
|--------------------------------|--------------------|------------|--------------------|-----------|---------------------------------|-----------------------------------|
| COSCO Glory                    | 13100              | 2011       | 6/10/11            | COSCON    | 12 years                        | \$ 55.0                           |
| COSCO Pride <sup>(1)</sup>     | 13100              | 2011       | 6/29/11            | COSCON    | 12 years                        | 55.0                              |
| COSCO Development              | 13100              | 2011       | 8/10/11            | COSCON    | 12 years                        | 55.0                              |
| COSCO Harmony                  | 13100              | 2011       | 8/19/11            | COSCON    | 12 years                        | 55.0                              |
| COSCO Excellence               | 13100              | 2012       | 3/8/12             | COSCON    | 12 years                        | 55.0                              |
| COSCO Faith <sup>(1)</sup>     | 13100              | 2012       | 3/14/12            | COSCON    | 12 years                        | 55.0                              |
| CSCL Zeebrugge                 | 9600               | 2007       | 3/15/07            | CSCL Asia | 12 years                        | 34.0 <sup>(2)</sup>               |
| CSCL Long Beach                |                    |            |                    | CSCL      |                                 |                                   |
|                                | 9600               | 2007       | 7/6/07             | Asia      | 12 years                        | 34.0 <sup>(2)</sup>               |
| CSCL Oceania                   |                    |            |                    | CSCL      |                                 |                                   |
|                                | 8500               | 2004       | 12/4/04            | Asia      | 12 years + one 3-year option    | 29.8 <sup>(3)</sup>               |
| CSCL Africa                    |                    |            |                    | CSCL      |                                 |                                   |
|                                | 8500               | 2005       | 1/24/05            | Asia      | 12 years + one 3-year option    | 29.8 <sup>(3)</sup>               |
| COSCO Japan                    | 8500               | 2010       | 3/9/10             | COSCON    | 12 years + three 1-year options | 42.9 <sup>(4)</sup>               |
| COSCO Korea                    | 8500               | 2010       | 4/5/10             | COSCON    | 12 years + three 1-year options | 42.9 <sup>(4)</sup>               |
| COSCO Philippines              | 8500               | 2010       | 4/24/10            | COSCON    | 12 years + three 1-year options | 42.9 <sup>(4)</sup>               |
| COSCO Malaysia                 | 8500               | 2010       | 5/19/10            | COSCON    | 12 years + three 1-year options | 42.9 <sup>(4)</sup>               |
| COSCO Indonesia                | 8500               | 2010       | 7/5/10             | COSCON    | 12 years + three 1-year options | 42.9 <sup>(4)</sup>               |
| COSCO Thailand                 | 8500               | 2010       | 10/20/10           | COSCON    | 12 years + three 1-year options | 42.9 <sup>(4)</sup>               |
| COSCO Prince Rupert            | 8500               | 2011       | 3/21/11            | COSCON    | 12 years + three 1-year options | 42.9 <sup>(4)</sup>               |
| Aliança Itapoá <sup>(5)</sup>  | 8500               | 2011       | 4/21/11            | COSCON    | 12 years + three 1-year options | 42.9 <sup>(4)</sup>               |
| MOL Emerald                    | 5100               | 2009       | 4/30/09            | MOL       | 12 years                        | 28.9                              |
| MOL Eminence                   | 5100               | 2009       | 8/31/09            | MOL       | 12 years                        | 28.9                              |
| MOL Emissary                   | 5100               | 2009       | 11/20/09           | MOL       | 12 years                        | 28.9                              |
| MOL Empire                     | 5100               | 2010       | 1/8/10             | MOL       | 12 years                        | 28.9                              |
| MSC Veronique                  | 4800               | 1989       | 11/25/11           | MSC       | 5 years                         | 10.0 <sup>(6)</sup>               |
| MSC Manu                       | 4800               | 1988       | 11/15/11           | MSC       | 5 years                         | 10.0 <sup>(6)</sup>               |
| MSC Lianne                     | 4800               | 1989       | 10/19/11           | MSC       | 5 years                         | 10.0 <sup>(6)</sup>               |
| MSC Carole                     | 4800               | 1989       | 10/12/11           | MSC       | 5 years                         | 10.0 <sup>(6)</sup>               |
| Brotonne Bridge <sup>(7)</sup> | 4500               | 2010       | 10/25/10           | K-Line    | 12 years + two 3-year options   | 34.3 <sup>(8)</sup>               |
| Brevik Bridge <sup>(7)</sup>   | 4500               | 2011       | 1/25/11            | K-Line    | 12 years + two 3-year options   | 34.3 <sup>(8)</sup>               |
| Bilbao Bridge <sup>(7)</sup>   | 4500               | 2011       | 1/28/11            | K-Line    | 12 years + two 3-year options   | 34.3 <sup>(8)</sup>               |
| Berlin Bridge <sup>(7)</sup>   | 4500               | 2011       | 5/9/11             | K-Line    | 12 years + two 3-year options   | 34.3 <sup>(8)</sup>               |

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|                                |      |      |          |           |  |                      |
|--------------------------------|------|------|----------|-----------|--|----------------------|
| Budapest Bridge <sup>(7)</sup> | 4500 | 2011 | 8/1/11   | K-Line    | 12 years + two 3-year options  | 34.3 <sup>(8)</sup>  |
| CSAV Licanten <sup>(9)</sup>   |      |      |          | CSCL      |  |                      |
|                                | 4250 | 2001 | 7/3/01   | Asia      | 10 years + one 2-year option   | 18.3 <sup>(10)</sup> |
| CSCL Chiwan                    |      |      |          | CSCL      |  |                      |
|                                | 4250 | 2001 | 9/20/01  | Asia      | 10 years + one 2-year option   | 18.3 <sup>(10)</sup> |
| CSCL Ningbo                    |      |      |          | CSCL      |  |                      |
|                                | 4250 | 2002 | 6/15/02  | Asia      | 10 years + one 2-year option   | 19.7 <sup>(11)</sup> |
| CSCL Dalian                    |      |      |          | CSCL      |  |                      |
|                                | 4250 | 2002 | 9/4/02   | Asia      | 10 years + one 2-year option   | 19.7 <sup>(12)</sup> |
| CSCL Felixstowe                |      |      |          | CSCL      |  |                      |
|                                | 4250 | 2002 | 10/15/02 | Asia      | 10 years + one 2-year option   | 19.7 <sup>(12)</sup> |
| CSCL Vancouver                 | 4250 | 2005 | 2/16/05  | CSCL Asia | 12 years   | 17.0                 |
| CSCL Sydney                    |      |      |          | CSCL      |  |                      |
|                                | 4250 | 2005 | 4/19/05  | Asia      | 12 years   | 17.0                 |
| CSCL New York                  |      |      |          | CSCL      |  |                      |
|                                | 4250 | 2005 | 5/26/05  | Asia      | 12 years   | 17.0                 |
| CSCL Melbourne                 |      |      |          | CSCL      |  |                      |
|                                | 4250 | 2005 | 8/17/05  | Asia      | 12 years   | 17.0                 |
| CSCL Brisbane                  |      |      |          | CSCL      |  |                      |
|                                | 4250 | 2005 | 9/15/05  | Asia      | 12 years   | 17.0                 |
| New Delhi Express              |      |      |          | HL        |  |                      |
|                                | 4250 | 2005 | 10/19/05 | USA       | 3 years + seven 1-year extensions + two 1-year options <sup>(13)</sup> | 18.0 <sup>(14)</sup> |
| Dubai Express                  |      |      |          | HL        |  |                      |
|                                | 4250 | 2006 | 1/3/06   | USA       | 3 years + seven 1-year extensions + two 1-year options <sup>(13)</sup> | 18.0 <sup>(14)</sup> |
| Jakarta Express                |      |      |          | HL        |  |                      |
|                                | 4250 | 2006 | 2/21/06  | USA       | 3 years + seven 1-year extensions + two 1-year options <sup>(13)</sup> | 18.0 <sup>(14)</sup> |
| Saigon Express                 |      |      |          | HL        |  |                      |
|                                | 4250 | 2006 | 4/6/06   | USA       | 3 years + seven 1-year extensions + two 1-year options <sup>(13)</sup> | 18.0 <sup>(14)</sup> |



**Table of Contents**

| Vessel Name            | Vessel Class (TEU) | Year Built | Charter Start Date | Charterer | Length of Charter  | Daily Charter Rate (in thousands) |
|------------------------|--------------------|------------|--------------------|-----------|--|-----------------------------------|
| Lahore Express         | 4250               | 2006       | 7/11/06            | HL USA    | 3 years + seven 1-year extensions + two 1-year options <sup>(13)</sup> | 18.0 <sup>(14)</sup>              |
| Rio Grande Express     | 4250               | 2006       | 10/20/06           | HL USA    | 3 years + seven 1-year extensions + two 1-year options <sup>(13)</sup> | 18.0 <sup>(14)</sup>              |
| Santos Express         | 4250               | 2006       | 11/13/06           | HL USA    | 3 years + seven 1-year extensions + two 1-year options <sup>(13)</sup> | 18.0 <sup>(14)</sup>              |
| Rio de Janeiro Express | 4250               | 2007       | 3/28/07            | HL USA    | 3 years + seven 1-year extensions + two 1-year options <sup>(13)</sup> | 18.0 <sup>(14)</sup>              |
| Manila Express         | 4250               | 2007       | 5/23/07            | HL USA    | 3 years + seven 1-year extensions + two 1-year options <sup>(13)</sup> | 18.0 <sup>(14)</sup>              |
| CSAV Loncomilla        | 4250               | 2009       | 4/28/09            | CSAV      | 6 years  | 25.9                              |
| CSAV Lumaco            | 4250               | 2009       | 5/14/09            | CSAV      | 6 years  | 25.9                              |
| CSAV Lingue            | 4250               | 2010       | 5/17/10            | CSAV      | 6 years  | 25.9                              |
| CSAV Lebu              | 4250               | 2010       | 6/7/10             | CSAV      | 6 years  | 25.9                              |
| UASC Madinah           | 4250               | 2009       | 7/1/10             | UASC      | 2 years  | 20.5 <sup>(15)</sup>              |
| COSCO Fuzhou           | 3500               | 2007       | 3/27/07            | COSCON    | 12 years   | 19.0                              |
| COSCO Yingkou          | 3500               | 2007       | 7/5/07             | COSCON    | 12 years   | 19.0                              |
| CSCL Panama            | 2500               | 2008       | 5/14/08            | CSCL Asia | 12 years   | 16.8 <sup>(16)</sup>              |
| CSCL São Paulo         | 2500               | 2008       | 8/11/08            | CSCL Asia | 12 years   | 16.8 <sup>(16)</sup>              |
| CSCL Montevideo        | 2500               | 2008       | 9/6/08             | CSCL Asia | 12 years   | 16.8 <sup>(16)</sup>              |
| CSCL Lima              | 2500               | 2008       | 10/15/08           | CSCL Asia | 12 years   | 16.8 <sup>(16)</sup>              |
| CSCL Santiago          | 2500               | 2008       | 11/8/08            | CSCL Asia | 12 years   | 16.8 <sup>(16)</sup>              |
| CSCL San Jose          | 2500               | 2008       | 12/1/08            | CSCL Asia | 12 years   | 16.8 <sup>(16)</sup>              |
| CSCL Callao            | 2500               | 2009       | 4/10/09            | CSCL Asia | 12 years   | 16.8 <sup>(16)</sup>              |
| CSCL Manzanillo        | 2500               | 2009       | 9/21/09            | CSCL Asia | 12 years   | 16.8 <sup>(16)</sup>              |
| Guayaquil Bridge       | 2500               | 2010       | 3/8/10             | K-Line    | 10 years   | 17.9                              |
| Calicanto Bridge       | 2500               | 2010       | 5/30/10            | K-Line    | 10 years   | 17.9                              |

- (1) This vessel is leased pursuant to a lease agreement, which we used to finance the acquisition of the vessel.
- (2) CSCL Asia has a charter of 12 years with a charter rate of \$34,000 per day, increasing to \$34,500 per day after six years.
- (3) CSCL Asia has an initial charter of 12 years with a charter rate of \$29,500 per day for the first six years, \$29,800 per day for the second six years, and \$30,000 per day during the three-year option.
- (4) COSCON has an initial charter of 12 years with a charter rate of \$42,900 per day for the initial term and \$43,400 per day for the three one-year options.
- (5) The name of the COSCO Vietnam was changed to Aliança Itapoá in March 2012, in connection with a sub-charter from COSCON to Hamburg Süd.
- (6) MSC has a bareboat charter of five years with a charter rate of \$10,000 per day, increasing to \$14,500 after two years. MSC has agreed to purchase the vessels for \$5.0 million each at the end of the five-year bareboat charter terms. In addition, we pay a 1.25% commission to a broker on all bareboat charter payments for these charters.
- (7) This vessel is leased pursuant to a lease agreement, which we used to finance the acquisition of the vessel.
- (8) K-Line has an initial charter of 12 years with a charter rate of \$34,250 per day for the first six years, increasing to \$34,500 per day for the second six years, \$37,500 per day for the first three-year option period and \$42,500 per day for the second three-year option period.
- (9) The name of the CSCL Hamburg was changed to CSAV Licanten in November 2010, in connection with a sub-charter from CSCL Asia to CSAV.
- (10) CSCL Asia has an initial charter of 10 years with a charter rate of \$18,000 per day for the first five years, \$18,300 per day for the second five years, and \$19,000 per day for the two-year option. CSCL Asia has exercised its options on the CSAV Licanten and the CSCL Chiwan.
- (11) CSCL Asia has an initial charter of 10 years with a charter rate of \$19,933 per day for the first five years, \$19,733 per day for the second five years, and \$20,500 per day for the two-year option. In April 2012 we entered into an agreement with CSCL Asia to time charter the CSCL Ningbo at a charter rate of \$8,450 per day for six months with a subsequent six-month option at a charter rate of \$12,250 per day.

**Table of Contents**

- (12) CSCL Asia has an initial charter of 10 years with a charter rate of \$19,933 per day for the first five years, \$19,733 per day for the second five years, and \$20,500 per day for the two-year option.
- (13) For these charters, the initial term was three years, which automatically extends for up to an additional seven years in successive one-year extensions unless HL USA elects to terminate the charters with two years' prior written notice. HL USA would have been required to pay a termination fee of approximately \$8.0 million to terminate a charter at the end of the initial term. The termination fee declines by \$1.0 million per year per vessel in years four through nine. The initial terms of the charters for these vessels have expired, and these charters have automatically extended pursuant to their terms.
- (14) HL USA had an initial charter of three years that automatically extends for up to an additional seven years in successive one-year extensions unless HL USA elects to terminate the charters with two years' prior written notice, with a charter rate of \$18,000 per day, and \$18,500 per day for the two one-year options.
- (15) UASC has a charter of two years with a charter rate of \$20,500 per day for the first year, increasing to \$20,850 per day for the second year. In addition, we pay a 1.25% commission to a broker on all hire payments for this charter.
- (16) CSCL Asia has a charter of 12 years with a charter rate of \$16,750 per day for the first six years, increasing to \$16,900 per day for the second six years.

*New Vessel Contracts*

Our primary objective is to acquire additional containerships as market conditions allow, and to enter into additional long-term, fixed-rate time charters for such vessels.

As of March 31, 2012, we had contracted to purchase five additional containerships, all of which were then currently or will be under construction, and have scheduled delivery dates through July 2014. These five newbuilding vessels consist of the following:

| Vessel        | Vessel Class (TEU) | Length of Time Charter <sup>(1)</sup> | Charterer | Scheduled Delivery Date | Shipbuilder   |
|---------------|--------------------|---------------------------------------|-----------|-------------------------|---------------|
| Hull No. S452 | 13100              | 12 years                              | COSCON    | 2012                    | HSHI          |
| Hull No. 2178 | 13100              | 12 years                              | COSCON    | 2012                    | HHI           |
| Hull No. 983  | 10000              | 10 years + one 2-year option          | Hanjin    | 2014                    | New Jiangsu   |
| Hull No. 985  | 10000              | 10 years + one 2-year option          | Hanjin    | 2014                    | Jiangsu Xinfu |
| Hull No. 993  | 10000              | 10 years + one 2-year option          | Hanjin    | 2014                    | New Jiangsu   |

(1) Each charter is scheduled to begin upon delivery of the vessel to the relevant charterer.

The following chart indicates the estimated number of vessels in our fleet based on scheduled delivery dates and existing newbuilding contracts as of March 31, 2012:

|                             | Quarter Ended<br>March 31, 2012 | Scheduled<br>Year Ended December 31, |                |                |
|-----------------------------|---------------------------------|--------------------------------------|----------------|----------------|
|                             |                                 | 2012                                 | 2013           | 2014           |
| Deliveries                  | 2                               | 2                                    |                | 3              |
| Operating Vessels           | 67                              | 69                                   | 69             | 72             |
| <b>Total Capacity (TEU)</b> | <b>378,900</b>                  | <b>405,100</b>                       | <b>405,100</b> | <b>435,100</b> |

**Quarter Ended March 31, 2012 Compared with Quarter Ended March 31, 2011**

The following is a discussion of our results of operations for the three months ended March 31, 2012 and 2011.

The following provides information about our fleet as of March 31, 2012:

|                                |    |
|--------------------------------|----|
| Number of vessels in operation | 67 |
|--------------------------------|----|

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|  |           |
|--|-----------|
| Average age of fleet                                   | 5.0 years |
| TEU capacity   | 378,900   |
| Average remaining initial term on outstanding charters | 7.0 years |

**Table of Contents**

We began 2011 with 55 vessels in operation and, during the year ended December 31, 2011, accepted delivery of 10 vessels, bringing our fleet to a total of 65 vessels in operation as at December 31, 2011. We accepted delivery of two additional vessels between December 31, 2011 and March 31, 2012, bringing our fleet to a total of 67 vessels in operation as at March 31, 2012. Operating days are the primary driver of revenue while ownership days are the primary driver for ship operating costs.

|                | Quarter Ended<br>March 31, |       | Increase |       |
|----------------|----------------------------|-------|----------|-------|
|                | 2012                       | 2011  | Days     | %     |
| Operating days | 5,540                      | 5,032 | 508      | 10.1% |
| Ownership days | 5,591                      | 5,087 | 504      | 9.9%  |

The following tables summarize vessel utilization and the impact of off-hire time incurred on our revenues for the quarter ended March 31, 2012:

|                            | First Quarter<br>2012 | First Quarter<br>2011 |
|----------------------------|-----------------------|-----------------------|
| <b>Vessel Utilization:</b> |                       |                       |
| Ownership Days             | 5,591                 | 5,087                 |
| Less Off-hire Days:        |                       |                       |
| Scheduled 5-Year Survey    | (44)                  | (53)                  |
| Unscheduled Off-hire       | (7)                   | (2)                   |
| <b>Operating Days</b>      | <b>5,540</b>          | <b>5,032</b>          |
| <b>Vessel Utilization</b>  | <b>99.1%</b>          | <b>98.9%</b>          |

|   | First Quarter<br>2012 | First Quarter<br>2011 |
|---|-----------------------|-----------------------|
| <b>Revenue Impact of Off-Hire (in thousands):</b> |                       |                       |
| 100% Utilization                                  | \$ 153,349            | \$ 121,983            |
| Less Off-hire:                                    |                       |                       |
| Scheduled 5-Year Survey                           | (1,058)               | (955)                 |
| Unscheduled Off-hire <sup>(1)</sup>               | (202)                 | (33)                  |
| <b>Actual Revenue Earned</b>                      | <b>\$ 152,089</b>     | <b>\$ 120,995</b>     |

<sup>1</sup> Includes charterer deductions that are not related to off-hire.

The following table summarizes our consolidated financial results for the quarter ended March 31, 2012 and 2011:

|  | Quarter Ended<br>March 31, |          | Change  |       |
|--|----------------------------|----------|---------|-------|
|  | 2012                       | 2011     | \$      | %     |
| <b>Financial Summary (dollars in millions)</b> |                            |          |         |       |
| Revenue  | \$ 152.1                   | \$ 121.0 | \$ 31.1 | 25.7% |
| Ship operating expense                         | 34.6                       | 31.1     | 3.5     | 11.2% |
| Depreciation                                   | 37.3                       | 30.0     | 7.3     | 24.4% |

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|   |      |       |      |        |
|---|------|-------|------|--------|
| General and administrative expenses                       | 5.9  | 2.7   | 3.2  | 117.1% |
| Interest expense  | 17.0 | 10.1  | 6.8  | 67.3%  |
| Change in fair value of financial instruments (gain)/loss | 4.7  | (5.8) | 10.5 | 180.6% |

**Table of Contents***Revenue*

The increase in operating days and the dollar impact thereof, for the quarter ended March 31, 2012 relative to the corresponding period in 2011, was due to the following:

|   | <b>Quarter Ended<br/>March 31, 2012</b> |                                    |
|---|---|------------------------------------|
|   | <b>Operating Days<br/>impact</b>        | <b>\$ impact<br/>(in millions)</b> |
| 2012 vessel deliveries                              | 40                                      | \$ 2.3                             |
| Full period contribution for 2011 vessel deliveries | 763                                     | 35.6                               |
| Changes due to bareboat charters <sup>(1)</sup>     | (360)                                   | (8.4)                              |
| Change in daily charterhire rate                    |   | 0.2                                |
| Change in charterhire days                          | 61                                      | 1.7                                |
| Scheduled off-hire                                  | 9                                       | (0.1)                              |
| Unscheduled off-hire                                | (5)                                     | (0.2)                              |
| <b>Total</b>  | <b>508</b>                              | <b>\$ 31.1</b>                     |

<sup>1</sup> We bareboat chartered to MSC four 4800 TEU vessels commencing in the fourth quarter of 2011. These transactions were accounted for as sales-type leases with the vessels being deemed disposed of and a gross investment in lease recorded which is being amortized to income through interest income from leasing. In the comparable period in the prior year, the hire payments from the time chartering of these vessels to APM was included in revenue.

The increase in vessel utilization for the quarter ended March 31, 2012 was primarily due to a decrease in scheduled off-hire. For the quarter ended March 31, 2011, there were four scheduled dry-dockings which resulted in 53 days of off-hire. During the quarter ended March 31, 2012, we commenced four dry-dockings which resulted in 44 days of scheduled off-hire. The decrease in scheduled off-hire was partially offset by an increase in unscheduled off-hire.

The dry-dockings we commenced during the quarter ended March 31, 2012 involved the following vessels:

| <b>Vessel</b>          | <b>Commenced</b> |
|------------------------|------------------|
| Rio de Janeiro Express | Q1               |
| CSCL Zeebrugge         | Q1               |
| COSCO Fuzhou           | Q1               |
| COSCO Yingkou          | Q1               |

Our cumulative vessel utilization since our initial public offering in August 2005 is 99.3%.

*Ship Operating Expense*

Prior to the acquisition of the Manager, the ship operating expense was comprised of fees paid to the Manager for technical services in exchange for a fixed fee per day per vessel, which was adjusted every three years. The fixed technical management fee was established based on costs expected to be incurred by the Manager in providing the technical services. As a result of the acquisition, our ship operating expense is made up of the direct operating costs of the vessels.

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## **Table of Contents**

Ship operating expense for the quarter ended March 31, 2012 of \$34.6 million included \$9.3 million of technical management fees paid to the Manager during the pre-acquisition period from January 1 to January 26, 2012 and \$25.3 million in direct costs incurred during the post-acquisition period from January 27 to March 31, 2012.

Ship operating expense increased to \$34.6 million for the quarter ended March 31, 2012, from \$31.1 million for the same period in the prior year. In 2011, the ship operating expenses represented the amounts paid to the Manager for technical management fees. The increase in ship operating expense was primarily due to an increase in ownership days resulting from the two vessel deliveries in the first quarter of 2012 and a full period of expenses for the 10 vessel deliveries during 2011. In addition, lubricant costs, spares and repairs and maintenance increased due to a worldwide rise in the cost of lubricants, service and parts prices. Prior to the acquisition of the Manager, the entire fixed technical service fee was classified as ship operating expense. As a result of the acquisition of the Manager, the portion of the Manager's general and administrative expenses previously included in the fixed technical services fee, because such expenses are not operating in nature, has been reclassified as general and administrative expenses in 2012 and are no longer included in ship operating expense. This decrease partially offsets the increases described above.

### *Depreciation*

The increase in depreciation expense for the quarter ended March 31, 2012 compared to the corresponding period of the prior year was due to the additional ownership days from the two vessel deliveries in 2012 and a full period of ownership for the 10 deliveries in 2011, offset by the impact of the four MSC bareboat charter vessels.

### *General and Administrative Expenses*

The increase in general and administrative expenses for the quarter ended March 31, 2012 compared to the corresponding period of the prior year was primarily the result of the reclassification of general and administrative expenses of the Manager from ship operating expenses, as described above.

### *Interest Expense*

Interest expense is comprised primarily of interest at the variable rate plus the applicable margin incurred on debt used to finance operating vessels and a reclassification of amounts from accumulated other comprehensive income related to previously designated hedging relationships. The increase in interest expense for the quarter ended March 31, 2012, compared to the comparable period of the prior year was primarily due to higher average operating debt balances and higher average LIBOR compared to the corresponding period of the prior year. The average LIBOR for the quarter ended March 31, 2012 was 0.5%, compared to 0.4% for the comparable period of the prior year. Although we have entered into fixed interest rate swaps for much of our variable rate debt, the difference between the variable interest rate and the swapped fixed rate on operating debt is recorded in our change in fair value of financial instruments caption as required by financial reporting standards. The interest incurred on long-term debt for our vessels under construction is capitalized to the respective vessels under construction.

### *Change in Fair Value of Financial Instruments*

The change in fair value of financial instruments resulted in a loss of \$4.7 million for the quarter ended March 31, 2012, compared to a gain of \$5.8 million for the comparable quarter last year. The changes in change in fair value for the quarter ended March 31, 2012 were primarily due to decreases in the forward LIBOR curve. The fair value of interest rate swap and swaption agreements is subject to change based on our company-specific credit risk included in the discount factor and the interest rate implied by the current swap curve, including its relative steepness. In determining the fair value, these factors are based on the current information available to us. These factors are expected to change through the life of the instruments, causing the fair value to fluctuate significantly due to the large notional amounts and long-term nature of our derivative instruments. As these factors may change, the fair value of the instruments is an estimate and may deviate significantly from the actual cash settlements realized over the term of the instruments. Our valuation techniques have not changed and remain consistent with those followed by other valuation practitioners.

## **Table of Contents**

The fair value of our interest rate swaps is most significantly affected by changes in the yield curve. Based on the current notional amount and tenure of our interest rate swap portfolio, a one percent parallel shift in the overall yield curve is expected to result in a change in the fair value of our interest rate swaps of approximately \$145 million. Actual changes in the yield curve are not expected to occur equally at all points and changes to the curve may be isolated to periods of time. This steepening or flattening of the yield curve may result in greater or lesser changes to the fair value of our financial instruments in a particular period than would occur had the entire yield curve changed equally at all points.

The fair value of our interest rate swaps is also affected by changes in our company-specific credit risk included in the discount factor. We discount our derivative instruments with reference to publicly-traded bond yields for a comparator group in the shipping industry and with composite Bloomberg industry yield curves. Based on the current notional amount and tenure of our swap portfolio, a one percent change in the discount factor is expected to result in a change in the fair value of our interest rate swaps of approximately \$16 million. For additional information about our financial instruments, please read our 2011 Annual Report.

## **Liquidity and Capital Resources**

### *Liquidity*

As at March 31, 2012, our cash and cash equivalents totaled \$289.5 million, and we had approximately \$0.3 billion available under our credit and lease facilities. Our primary short-term liquidity needs are to fund our operating expenses, debt repayment, lease payments and payment of our quarterly dividends. Our medium-term liquidity needs primarily relate to the purchase of the containerships we have contracted to purchase, debt repayment and lease payments. Our long-term liquidity needs primarily relate to vessel acquisitions, debt repayment and lease payments, and the future potential redemption of our Series C Preferred Shares. The Series C Preferred Shares carry an annual dividend rate of 9.5% per \$25 of liquidation preference per share, which is subject to increase if, among other things, we do not redeem the shares in whole by January 30, 2017. The Series C Preferred Shares are redeemable by us at any time on or after January 30, 2016.

We anticipate that our primary sources of funds for our short and medium-term liquidity needs will be our committed credit and lease facilities, new credit and lease facilities, additional equity offerings as well as our cash from operations, while our long-term sources of funds will be from cash from operations, debt or equity financings.



**Table of Contents**

A summary of our credit and lease facilities as of March 31, 2012 is as follows:

| Description  | Amount Outstanding<br>(millions) | Amount Committed<br>(millions) | Amount Available<br>(millions) |
|--|----------------------------------|--------------------------------|--------------------------------|
| <i>Credit Facilities</i>   |                                  |                                |                                |
| \$1.3 billion credit facility <sup>(1)</sup>   | \$ 1,032.7                       | \$ 1,300.0                     | \$                             |
| \$920.0 million revolving credit facility  | 890.3                            | 920.0                          | 29.7                           |
| \$365.0 million revolving credit facility Tranche A                                  | 64.4                             | 64.4                           |                                |
| \$365.0 million revolving credit facility Tranche B                                  | 251.4                            | 251.4                          |                                |
| \$291.2 million credit facility  | 200.4                            | 278.4                          | 78.0                           |
| \$235.3 million credit facility  | 226.4                            | 226.4                          |                                |
| \$218.4 million credit facility  | 217.7                            | 217.7                          |                                |
| \$150.0 million credit facility (non-recourse to Seaspan Corporation) <sup>(5)</sup> | 80.3                             | 150.0                          | 69.7                           |
| \$150.0 million revolving credit facility <sup>(2)</sup>                             |                                  | 150.0                          | 75.0                           |
| \$53.0 million credit facility (non-recourse to Seaspan Corporation) <sup>(5)</sup>  | 52.6                             | 52.6                           |                                |
| \$5.0 million line of credit   | 5.0                              | 5.0                            |                                |
| \$15.0 million term loans  | 15.0                             | 15.0                           |                                |
| <b>Total Credit Facilities</b>   | <b>3,036.2<sup>(3)</sup></b>     | <b>3,630.9</b>                 | <b>252.4</b>                   |
| <i>Lease Facilities</i>  |                                  |                                |                                |
| \$400.0 million lease (limited recourse to Seaspan Corporation) <sup>(4)</sup>       | 400.0                            | 400.0                          |                                |
| \$150.0 million lease (non-recourse to Seaspan Corporation) <sup>(5)</sup>           | 109.0                            | 109.0                          |                                |
| \$150.0 million lease (non-recourse to Seaspan Corporation) <sup>(5)</sup>           | 140.2                            | 140.2                          |                                |
| <b>Total Lease Facilities</b>  | <b>649.2</b>                     | <b>649.2</b>                   |                                |
| <b>Total Credit and Lease Facilities</b>   | <b>\$ 3,685.4</b>                | <b>\$ 4,280.1</b>              | <b>\$ 252.4</b>                |

- (1) We are able to draw additional funds under this facility so long as the loan-to-market value ratio being the ratio of the outstanding principal amount of the loan immediately after a drawing to the market value of the vessels that are provided as collateral under that facility does not exceed 70%. The vessels we bareboat charter to MSC remain as collateral under this facility. Based on a valuation of the vessels financed under the \$1.3 billion credit facility that was obtained in December 2011 (which was on a without-charter basis as required by our credit facility), we are currently unable to borrow the remaining \$267.0 million available under this facility. This restriction does not impact the repayment of amounts already borrowed. For more information, please read Item 5. Operating and Financial Review and Prospects C. Liquidity and Capital Resources Financing Facilities Our Credit Facilities in our 2011 Annual Report.
- (2) We have removed one of the two vessels under this facility and are therefore only able to borrow up to the greater of \$75.0 million and 65% of the vessel delivered costs.
- (3) Long-term debt related to operating vessels was \$2.8 billion as at March 31, 2012 and \$2.7 billion as at December 31, 2011, with the balance of our long-term debt under our credit facilities as of such dates relating to the construction of newbuilding vessels.
- (4) The lessor has funded the \$400.0 million committed amount. The difference between the carrying value of this facility and the amount outstanding is due to implicit interest accrued for financial reporting purposes.
- (5) Amounts outstanding are owed by a wholly owned subsidiary of Seaspan Corporation and are non-recourse to Seaspan Corporation.

*Newbuilding Commitments*

As of March 31, 2012, the estimated remaining installments on the five vessels we had contracted to purchase totaled approximately \$414.1 million. We believe that the proceeds from our recent Series C issuances, together with the availability under our credit and lease facilities and our anticipated operating cash flows less dividends, will be sufficient to fund the remaining payments for our currently contracted \$414.1 million newbuilding program. We believe that we have sufficient liquidity to fund the commitment for our newbuilding program. Future debt and or equity issuances may be considered for growth.



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## **Table of Contents**

### *Operating Cash Flows*

Our cash flow from operating activities was \$49.8 million for the quarter ended March 31, 2012 compared to \$36.4 million for the comparable period of the prior year, and is expected to increase as we take delivery of the five vessels that, as of March 31, 2012, were yet to be delivered.

All of the vessels that we own and are currently committed to acquire are chartered under primarily long-term time charters. The existing time charters for six of our vessels are scheduled to expire (excluding options to extend) before December 31, 2013. For nine other vessels, the charterer may elect to terminate the charters with two years' prior written notice upon payment of a termination fee. The charterers' payments to us are our primary source of operating cash flow. We believe we have good commercial relations with each of our customers and, to date, they have all met their commitments under their charter contracts with us. However, there is no assurance that the charterers will be able to continue to make charter payments to us for the remaining terms of the charter agreements. If the charterers are unable to make charter payments to us, our results of operations and financial condition would be harmed.

Factors such as off-hire and increases in operating costs could reduce our operating cash flows available to fund our liquidity needs. Our operating costs include the ship operating expenses such as insurance, crew wages, stores, spares and repair costs. We also incur bunkers consumed during off-hire and insurance deductibles. Any increases in such costs would reduce our future operating cash flows.

### *Credit and Lease Facilities*

#### *Our Credit Facilities*

We primarily use our credit facilities to finance the construction and acquisition of vessels. Our credit facilities are, or will be upon vessel delivery, secured by first-priority mortgages granted on 62 of our vessels, together with other related security, such as assignments of shipbuilding contracts and refund guarantees for the vessels and assignments of time charters, earnings and insurance for the vessels.

As of March 31, 2012, our revolving credit facilities and term loans provided for borrowings of up to \$3.6 billion, of which \$3.0 billion was outstanding and \$0.3 million was available to be drawn by us. Approximately \$267.0 million of such \$3.6 billion was not available to us as of that date. Interest payments on the revolving credit facilities are based on LIBOR plus margins, which ranged between 0.5% and 0.85% as of March 31, 2012.

Interest payments on our term loans, excluding the three term loans totaling \$15.0 million, are based on either LIBOR plus margins, which ranged between 0.35% and 4.75% as of March 31, 2012 or, for a portion of one of our term loans, KEXIM plus margins, which was 0.65% as of March 31, 2012.

In September 2011, one of our subsidiaries entered into a transaction with affiliates of a leading Chinese and a leading Japanese bank for a non-recourse loan facility in an amount up to \$150.0 million relating to one of our 13100 TEU newbuilding vessels. The vessel is being constructed by HSHI and was previously financed with up to \$75 million under one of our revolving credit facilities. The vessel has been removed as security from that revolving credit facility. Upon delivery of the vessel and through an inter-company operating charter with our subsidiary, we will continue to time charter the vessel to COSCON in accordance with the terms of the original 12-year time charter. The subsidiary's indebtedness under the loan facility is non-recourse to Seaspan Corporation.

#### *Our Lease Facilities*

As at March 31, 2012, we had lease obligations of approximately \$679.9 million.

Our subsidiary Seaspan Finance I Co. Ltd. is a party, as lessee, to a lease facility used to finance the acquisition of five 4500 TEU vessels, for which the lessor retains title and which we charter from the lessor. All of those vessels have been delivered and have commenced operations under 12-year fixed-rate time charters between

**Table of Contents**

our subsidiary and K-Line. We have guaranteed the performance of our subsidiary's obligations to K-Line. Our subsidiary's obligations to the lessor under the lease facility are secured by a general assignment of earnings (including under the time charters for the vessels), insurances and requisition hire for each vessel, and a corporate guarantee issued by us that is limited to a fixed amount of the obligations. In connection with this guarantee, we have placed \$60.0 million of restricted cash in a deposit account over which the lessor has a first priority interest.

In February 2010, we entered into a sale-leaseback transaction with an affiliate of a leading Chinese bank for a 12-year sale-leaseback of one of our 13100 TEU newbuilding vessels in an amount up to \$150.0 million. Following the sale, the purchaser chartered the vessel to one of our subsidiaries and our subsidiary sub-chartered the vessel to us through an inter-company operating charter. We are chartering the vessel to COSCON pursuant to a 12-year, fixed rate time charter. Our subsidiary's financial indebtedness under its charter is non-recourse to us.

In October 2010, one of our subsidiaries entered into a sale-leaseback transaction for one of our 13100 TEU newbuilding vessels with an affiliate of Crédit Agricole CIB. This vessel was constructed by HHI and was delivered to us in March 2012. The vessel has commenced operations under a time charter with COSCON. Upon delivery from HHI, the vessel was purchased by the affiliate of Crédit Agricole CIB, and through an inter-company operating charter with our subsidiary, we time-charter the vessel to COSCON in accordance with the terms of our original time charter. Our subsidiary's financial indebtedness under the charter is non-recourse to us.

In October 2011, one of our subsidiaries entered into a financing transaction with a leading U.S. bank for the UASC Madinah, one of our 4250 TEU vessels. The vessel has been sold to one of our indirect subsidiaries, funded by a \$53 million mortgage-secured term loan from an affiliate of the U.S. bank, leased by our subsidiary to us, and we continue to time charter the vessel to UASC in accordance with the terms of our original time charter. This term loan will mature in June 2012 upon the expiration of the UASC time charter. Subject to certain conditions, the vessel will be sold to the U.S. bank in June 2012 for the amount outstanding under the term loan and will be leased back to our subsidiary for approximately nine years.

For additional information about our credit and lease facilities, including, among other things, a description of certain related covenants, please read Item 5. Operating and Financial Review and Prospects C. Liquidity and Capital Resources in our 2011 Annual Report.

**Statement of Cash Flows***Operating Cash Flows*

Net cash from operating activities was \$49.8 million for the quarter ended March 31, 2012, which represents an increase of \$13.4 million over the comparable period in the previous year. The increase was primarily due to the following:

|  | <b>Quarter<br/>ended<br/>March 31,<br/>2012<br/>(in millions)</b> |
|--|---|
| Higher operating earnings before depreciation  | \$ 24.5   |
| Higher swap settlements  | (0.7)   |
| Higher cash interest expense, net of amounts capitalized   | (8.0)   |
| Working capital changes  | 2.6   |
| Other  | (5.0)   |
| <br>Increase in net cash from operating activities over the<br>comparable period of the prior year | <br>\$ 13.4   |

The higher operating earnings before depreciation reflected results from the increase in the number of larger vessels in our fleet over the past year. The increase in swap settlements is primarily due to higher notional amounts on our swaps. The increase in interest expense, net of amounts capitalized, is primarily due to the increase in our debt balances from our increased number of operating vessels.

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## **Table of Contents**

### *Investing Cash Flows*

Cash used in investing activities was \$65.9 million for the quarter ended March 31, 2012, which represents a decrease of \$25.3 million over the comparable period in the previous year. For the quarters ended March 31, 2012 and 2011, cash was used primarily for the final installment paid to the shipyard for one of our delivered vessels. During the quarter ended March 31, 2012 we also acquired \$23.9 million in cash on acquisition of the Manager.

### *Financing Cash Flows*

Net cash used in financing activities was \$175.5 million for the quarter ended March 31, 2012, which represents a decrease of \$408.3 million from net cash proceeds of \$232.8 million from financing activities in the comparable period of the previous year. During the quarter ended March 31, 2012, \$170.6 million of cash was used to repurchase 11.3 million of our class A common shares. During the quarter ended March 31, 2011, we received net proceeds of \$240.4 million from the issuance of our Series C Preferred Shares. We also increased our net borrowings under our credit facilities during the quarter ended March 31, 2012 over the comparable period in the prior year. The increase in borrowings were partially offset by an increase in repayments of our other long term liabilities.

## **Ongoing Capital Expenditures and Dividends**

### *Ongoing Capital Expenditures*

We must make substantial capital expenditures over the long-term to preserve our capital base, which is comprised of our net assets, in order to continue to refinance our indebtedness and to maintain our dividends. We will likely need at some time in the future to retain additional funds to provide reasonable assurance of maintaining our capital base over the long-term. We believe it is not possible to determine now, with any reasonable degree of certainty, how much of our operating cash flow we should retain in our business and when it should be retained to preserve our capital base. Factors that will impact our decisions regarding the amount of funds to be retained in our business to preserve our capital base, include the following:

The remaining lives of our vessels;

The returns that we generate on our retained cash flow, which will depend on the economic terms of any future acquisitions and charters, which are currently unknown;

Future market charter rates for our vessels, particularly when they come off charter, which are currently unknown;

Our future operating and interest costs, particularly after the acquisition of our Manager now that our operating costs are subject to market fluctuation;

Our future refinancing requirements and alternatives and conditions in the relevant financing and capital markets at that time; and

Unanticipated future events and other contingencies.

Please read Item 3D. Risk Factors in our 2011 Annual Report for factors that may affect our future capital expenditures and results.

**Table of Contents***Dividends*

The following table reflects dividends paid or accrued by us for the periods indicated:

|   | Quarter Ended March 31,                          |          |
|---|--|----------|
|   | 2012   | 2011     |
|   | (dollars in thousands, except per share amounts) |          |
| <b>Dividends on Class A common shares</b> |  |          |
| Declared, per share                       | \$ 0.1875  | \$ 0.125 |
| Paid in cash                              | 7,374  | 6,251    |
| Reinvested in common shares through DRIP  | 4,361  | 2,330    |
|   | \$ 11,735  | \$ 8,581 |
| <b>Dividends on preferred shares</b>      |  |          |
| Series A, accrued                         | \$ 8,128   | \$ 7,142 |
| Series B, paid in cash <sup>(1)</sup>     | \$   | \$ 320   |
| Series C, paid in cash                    | \$ 8,313   | \$       |

<sup>1</sup> All outstanding Series B preferred shares were redeemed on November 30, 2011.

On May 12, 2012, we declared a first quarter dividend of \$0.25 per common share, representing an aggregate cash distribution of \$15.7 million. The dividend is payable on June 8, 2012 to all shareholders of record on May 29, 2012.

On April 30, 2012, we paid a quarterly dividend of \$0.59375 per share on our 9.5% Series C preferred shares, representing a distribution of \$8.3 million. The dividend was paid to all 9.5% Series C preferred shareholders of record as of April 27, 2012 for the period from January 30, 2012 to April 29, 2012.

**Critical Accounting Estimates**

We prepare our consolidated financial statements in accordance with GAAP, and we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosures of contingent obligations. On an ongoing basis, we evaluate our estimates and judgments. We base our estimates on historical experience and anticipated results and trends and on other assumptions that we believe are reasonable under the circumstances. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from our estimates.

*Recent Accounting Developments*

None.

**Off-Balance Sheet Arrangements**

At March 31, 2012, we did not have any off-balance sheet arrangements.

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

This Report on Form 6-K for the quarter ended March 31, 2012 contains certain forward-looking statements (as such term is defined in Section 21E of the Securities Exchange Act of 1934, as amended) concerning our operations, cash flows, and financial position, including, in particular, the likelihood of our success in developing and expanding our business. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as expects, anticipates, intends, plans, believes, estimates, projects, forecasts, may, potential, should, and similar expressions are forward-looking statements. These forward-looking statements represent our estimates and assumptions only at the date of this Report and are not intended to give any assurance as to future results. As a result, you are cautioned not to rely on any forward-looking statements. Forward-looking statements appear in a number of places in this Report. Although these statements are based upon assumptions we believe to be reasonable based upon available information, including operating margins, earnings, cash flow, working capital and capital expenditures, they are subject to risks and uncertainties. These risks and uncertainties include, but are not limited to:

future operating or financial results;

future growth prospects;

our business strategy and other plans and objectives for future operations;

our expectations relating to dividend payments and our ability to make such payments;

potential acquisitions, vessel financing arrangements and other investments, and our expected benefits from such transactions;

the potential effects of the acquisition of our Manager on our operations and results;

the amount of any adjustment of the purchase price we paid for our Manager and any payments to the former owners of our Manager related to fleet growth;

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

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

our financial condition and liquidity, including our ability to borrow funds under our credit facilities and to obtain additional financing in the future to fund capital expenditures, acquisitions and other general corporate activities;

estimated future capital expenditures needed to preserve our capital base;

our expectations about the availability of vessels to purchase, the time that it may take to construct new vessels, the delivery dates of new vessels, the commencement of service of new vessels under long-term time charter contracts or the useful lives of our vessels;

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our continued ability to enter into primarily long-term, fixed-rate time charters with our customers;

our ability to leverage to our advantage our relationships and reputation in the containership industry;

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

the financial condition of our shipbuilders, customers, lenders, refund guarantors and other counterparties and their ability to perform their obligations under their agreements with us;



**Table of Contents**

the economic downturn and crisis in the global financial markets and potential negative effects of any recurrence of such disruptions on our customers' ability to charter our vessels and pay for our services;

taxation of our company and of distributions to our shareholders;

potential liability from future litigation; and

other factors detailed in this Report and from time to time in our periodic reports.

*Forward-looking statements in this Report are estimates reflecting the judgment of senior management and involve known and unknown risks and uncertainties. These forward-looking statements are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Accordingly, these forward-looking statements should be considered in light of various important factors, including those set forth in our 2011 Annual Report under the heading "Risk Factors." Our 2011 Annual Report was filed with the Commission on March 26, 2012.*

We do not intend to revise any forward-looking statements in order to reflect any change in our expectations or events or circumstances that may subsequently arise. We make no prediction or statement about the performance of our common shares. You should carefully review and consider the various disclosures included in this Report and in our other filings made with the Commission that attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations.

**Table of Contents****ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risk from changes in interest rates and foreign currency fluctuations. We use interest rate swaps to manage interest rate price risks and we have entered into foreign currency forward contracts to manage foreign currency fluctuations. We do not use these financial instruments for trading or speculative purposes.

**Interest Rate Risk**

As of March 31, 2012, our floating-rate borrowings totaled \$3.2 billion and we had entered into interest rate swap agreements to fix the rates on a notional principal of \$2.5 billion. These interest rate swaps had a fair value of \$539.0 million in the counterparties' favor as of March 31, 2012.

The tables below provide information about our financial instruments at March 31, 2012 that are sensitive to changes in interest rates. Please read note 9 to our consolidated financial statements included in our 2011 Annual Report, which provides additional information with respect to our credit and lease facilities. The information in this table is based upon our credit and lease facilities.

|  | 2012    | 2013    | Principal Payment Dates<br>2014 2015<br>(dollars in thousands) |         | 2016    | Thereafter |
|--|---------|---------|--|---------|---------|------------|
| <b>Credit Facilities:</b>                                  |         |         |  |         |         |            |
| Bearing interest at variable interest rates <sup>(1)</sup> | 130,643 | 155,600 | 282,668  | 802,873 | 109,564 | 1,554,828  |
| <b>Lease Facilities:</b>                                   |         |         |  |         |         |            |
| Bearing interest at variable interest rates <sup>(2)</sup> | 6,513   | 12,857  | 13,684   | 14,534  | 15,419  | 186,156    |

(1) Represents principal payments on our credit facilities that bear interest at variable rates for which we have entered into interest rate swap agreements to fix the LIBOR. For the purpose of this table, principal repayments are determined based on amounts outstanding at period end, pro-rated to reflect commitment reduction schedules for each related facility. Actual repayments may differ from the amounts presented as repayment timing is impacted by the balance outstanding at each commitment reduction date.

(2) Includes repayments for amounts yet to be funded of \$nil.

As of March 31, 2012, we had the following interest rate swaps outstanding:

| Fixed per annum<br>rate swapped for<br>LIBOR | Notional Amount<br>as of March 31,<br>2012 | Maximum<br>Notional<br>Amount <sup>(1)</sup> | Effective Date     | Ending Date                      |
|--|--|--|--------------------|----------------------------------|
| 5.6400%                                      | \$ 714,500                                 | \$ 714,500                                   | August 31, 2007    | August 31, 2017                  |
| 4.6325%                                      | 663,399                                    | 663,399                                      | September 15, 2005 | July 16, 2012                    |
| 5.4200%                                      | 438,462                                    | 438,462                                      | September 6, 2007  | May 31, 2024                     |
| 5.6000%                                      | 200,000                                    | 200,000                                      | June 23, 2010      | December 23, 2021                |
| 5.0275%                                      | 111,000                                    | 158,000                                      | May 31, 2007       | September 30, 2015               |
| 5.5950%                                      | 106,800                                    | 106,800                                      | August 28, 2009    | August 28, 2020                  |
| 5.2600%                                      | 106,800                                    | 106,800                                      | July 3, 2006       | February 26, 2021 <sup>(2)</sup> |
| 5.2000%                                      | 96,000                                     | 96,000                                       | December 18, 2006  | October 2, 2015                  |
| 5.5150%                                      | 59,700                                     | 59,700                                       | February 28, 2007  | July 31, 2012                    |
| 5.1700%                                      | 24,000                                     | 55,500                                       | April 30, 2007     | May 29, 2020                     |
| 5.1750%                                      |  | 663,399                                      | July 16, 2012      | July 15, 2016                    |
| 5.8700%                                      |  | 620,390                                      | August 31, 2017    | November 28, 2025                |
| 5.4975%                                      |  | 59,700                                       | July 31, 2012      | July 31, 2019                    |

(1) Over the term of the interest rate swaps, the notional amounts increase and decrease. These amounts represent the peak notional amount during the term of the swap.

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- (2) We have entered into a swaption agreement with a bank (Swaption Counterparty) whereby the Swaption Counterparty has the option to require us to enter into an interest rate swap to pay LIBOR and receive a fixed rate of 5.26%. This is a European option and is open for a two hour period on February 26, 2014 after which it expires. The notional amount of the underlying swap is \$106.8 million with an effective date of February 28, 2014 and an expiration of February 26, 2021. If the Swaption Counterparty exercises the swaption, the underlying swap effectively offsets our 5.26% pay fixed LIBOR swap from February 28, 2014 to February 26, 2021.

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Counterparties to these financial instruments may expose us to credit-related losses in the event of non-performance. As at March 31, 2012, these financial instruments were in the counterparties' favor on a net basis. We have considered and reflected the risk of non-performance by us and our counterparties in the fair value of our financial instruments as of March 31, 2012. As part of our consideration of non-performance risk, we perform evaluations of our counterparties for credit risk through ongoing monitoring of their financial health and risk profiles to identify funding risk or changes in their credit ratings.

**Table of Contents**

Counterparties to these agreements are major financial institutions, and we consider the risk of loss due to non-performance to be minimal. We do not require collateral from these institutions. We do not hold and do not issue interest rate swaps for trading purposes.

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**Table of Contents**

**PART II OTHER INFORMATION**

**Item 1 Legal Proceedings**

None.

**Item 1A Risk Factors**

In addition to the risk factor below and the other information set forth in this report, you should consider the factors discussed in Item 3.D Risk Factors in our 2011 Annual Report, which could materially affect our business, results of operations or financial condition.

***Over time, containership values may fluctuate, which could adversely affect our operating results or our ability to raise capital.***

Containership values can fluctuate substantially over time due to a number of different factors, including, among others:

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

A substantial or extended decline in world trade;

Increases in the supply of containership capacity; and

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

If a charter terminates, we may be unable to re-deploy the vessel at attractive rates and, rather than continue to incur costs to maintain and finance the vessel, may seek to dispose of it. Our inability to dispose of the containership at a reasonable price, or at all, could result in a loss on its sale and harm our results of operations, financial condition and ability to pay dividends or redeem our Series C Preferred Shares.

In addition, if we determine at any time that a containership's value has been impaired, we may need to recognize a significant impairment charge that will reduce our earnings and net assets. A reduction in our net assets could result in a breach of certain financial covenants contained in our credit and lease facilities and our Series C Preferred Shares, which could limit our ability to borrow additional funds under our credit and lease facilities, require us to repay outstanding amounts, or increase the dividend rate of our Series C Preferred Shares. Further, declining containership values could affect our ability to raise cash by limiting our ability to refinance vessels or use unencumbered vessels as collateral for new loans.

**Item 2 Unregistered Sales of Equity Securities and Use of Proceeds**

In January 2012, we acquired our Manager. Prior to the acquisition, our Manager was owned 50.05% by trusts established for sons of Dennis R. Washington, including Kyle R. Washington, our co-chairman, and 49.95% by Thetis Holdings Ltd. (an entity indirectly owned by Graham Porter, one of our directors, and Gerry Wang, our co-chairman and chief executive officer). The purchase price for the acquisition, excluding any balance sheet adjustments and payments based on the future growth of the fleet managed by our Manager, was \$54.0 million, which we paid through the issuance of approximately 4.2 million of our Class A common shares, valued on a per share basis equal to \$12.794, being the volume-weighted average trading price for the 90 trading days immediately preceding the closing date of the acquisition. The Class A common shares were issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended.

**Item 3 Defaults Upon Senior Securities**

None.



**Table of Contents****Item 4 Mine Safety Disclosures**

Not Applicable.

**Item 5 Other Information**

The Company's 2012 Annual Meeting of Shareholders was held on May 12, 2012. Briefly described below is each matter voted on at the meeting:

- (1) Election of the following individuals, nominated by the board of directors, to hold office as Class I Directors of the board of directors of the Company for a term of three years. There was no solicitation in opposition to the board's nominees for the directors listed in our definitive proxy statement dated March 23, 2012, and all such nominees were elected. Total common and Series A preferred stock voted (with Series A preferred stock voting on an as-converted basis) was 50,958,660. There was one broker non-vote.

| Name                         | Number of Shares Voted |           |
|------------------------------|------------------------|-----------|
|                              | For                    | Withheld  |
| <b>Kyle R. Washington</b>    | 50,778,023             | 180,636   |
| <b>Nicholas Pitts-Tucker</b> | 50,791,953             | 166,706   |
| <b>David Lyall</b>           | 49,278,427             | 1,680,232 |

The other members of the board of directors are: Class II Directors: Gerry Wang, Peter Lorange and Graham Porter (terms expire at the 2013 Annual Shareholder Meeting); Class III Directors: Peter Shaerf and John C. Hsu (terms expire at the 2014 Annual Shareholder Meeting); and Series A Preferred Shareholder Nominee Director: George H. Juetten (no term).

- (2) Ratification of the appointment of KPMG LLP, Chartered Accountants as the Company's independent auditors for the fiscal year ending December 31, 2012. Total common and Series A preferred stock voted (with Series A preferred stock voting on an as converted basis) was 50,836,112 in favor, 73,850 opposed, 48,694 abstained and four broker non-votes. The appointment of KPMG LLP as the independent auditors for the fiscal year ending December 31, 2012 was ratified.

**Item 6 Exhibits**

None.