Seaspan CORP
Form 6-K
November 09, 2012
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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 September 30, 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

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 x 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 x

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 x

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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 September 30, 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: November 9, 2012

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

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EXHIBIT I

SEASPAN CORPORATION

REPORT ON FORM 6-K FOR THE QUARTER ENDED SEPTEMBER 30, 2012

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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 we acquired in January 2012 and provide all of our technical, administrative and strategic services.

References to shipbuilders are as follows:

Shipbuilders	Reference
Jiangsu New Yangzi Shipbuilding Co., Ltd.	New Jiangsu
Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd.	Jiangsu Xinfu

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References to customers are as follows:

Customers	Reference
China Shipping Container Lines (Asia) Co., Ltd.[1]	CSCL Asia
Compañia Sud Americana De Vapores S.A.	CSAV
COSCO Container Lines Co., Ltd.[2]	COSCON
Hanjin Shipping Co., Ltd.	Hanjin
Hapag-Lloyd USA, LLC [3]	HL USA
Hyundai Merchant Marine Co., Ltd.	HMM
Kawasaki Kisen Kaisha Ltd.	K-Line
Mediterranean Shipping Company S.A.	MSC
Mitsui O.S.K. Lines, Ltd.	MOL
Orient Overseas Container Line Ltd.	OOCL
Yang Ming (UK) Ltd.	Yang Ming

(1) A subsidiary of China Shipping Container Lines Co., Ltd., or CSCL
(2) A subsidiary of China COSCO Holdings Company Limited
(3) 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 statements in accordance with United States generally accepted accounting principles, or GAAP.

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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)

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 273,000	$ 481,123
Short-term investments	35,485	
Accounts receivable	7,611	6,837
Prepaid expenses	24,195	17,398
Gross investment in lease	14,600	14,640
	354,891	519,998
Vessels (note 5)	4,904,089	4,697,249
Deferred charges (note 6)	48,307	45,917
Gross investment in lease	84,878	95,798
Goodwill (note 3)	66,662	
Other assets (note 7)	72,992	88,754
Fair value of financial instruments (note 17(b))	38,760	
	$ 5,570,579	$ 5,447,716
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 14(a))	$ 46,680	$ 47,400
Current portion of deferred revenue (note 8)	24,674	23,257
Current portion of long-term debt (note 9)	73,197	81,482
Current portion of other long-term liabilities (note 10)	38,481	37,649
	183,032	189,788
Deferred revenue (note 8)	8,991	12,503
Long-term debt (note 9)	3,023,935	2,914,247
Other long-term liabilities (note 10)	623,025	583,263
Fair value of financial instruments (note 17(b))	633,402	564,490

Shareholders equity:		
Share capital (note 11):		
Preferred shares; $0.01 par value; 65,000,000 shares authorized		
Class A common shares; $0.01 par value;		
200,000,000 shares authorized; 63,009,069 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 (2011 - nil)		
Class C common shares; $0.01 par value; 100 shares authorized; nil shares issued and outstanding (2011 - 100)	772	838
Treasury shares	(301)	
Additional paid in capital	1,775,392	1,860,979
Deficit	(628,889)	(622,406)
Accumulated other comprehensive loss	(48,780)	(55,986)
	1,098,194	1,183,425
	$ 5,570,579	$ 5,447,716

Commitments and contingent obligations (note 15)

Subsequent events (note 18)

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Interim Consolidated Statements of Operations

(Unaudited)

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

	Three months ended		Nine months ended	
	September 30, 2012	**September 30, 2011**	**September 30, 2012**	**September 30, 2011**
Revenue	$ 168,667	$ 154,826	$ 487,077	$ 409,493
Operating expenses:				
Ship operating (note 4)	35,650	35,930	101,715	99,805
Depreciation and amortization	42,527	38,378	122,742	102,200
General and administrative	5,618	3,932	18,139	11,658
Operating lease	2,035		2,035	
Loss (gain) on vessels (note 5)		8,890	(9,773)	8,890
	85,830	87,130	234,858	222,553
Operating earnings	82,837	67,696	252,219	186,940
Other expenses (income):				
Interest expense	18,531	13,998	54,663	34,801
Interest income	(299)	(144)	(928)	(471)
Interest income from leasing	(1,275)		(3,934)	
Undrawn credit facility fees	145	952	1,348	3,434
Amortization of deferred charges (note 6)	1,877	917	5,643	2,568
Change in fair value of financial instruments	45,847	174,580	132,607	253,525
Equity loss on investment	83		217	
Other expenses	115		281	
	65,024	190,303	189,897	293,857
Net earnings (loss)	$ 17,813	$ (122,607)	$ 62,322	$ (106,917)
Earnings (loss) per share (note 12):				
Class A common share, basic and diluted	$ 0.01	$ (2.01)	$ 0.18	$ (2.19)

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Interim Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended		Nine months ended	
	September 30, 2012	**September 30, 2011**	**September 30, 2012**	**September 30, 2011**
Net earnings (loss)	$ 17,813	$ (122,607)	$ 62,322	$ (106,917)
Other comprehensive income:				
Amounts reclassified to earnings (loss) during the period relating to cash flow hedging instruments	2,086	2,933	7,206	9,312
Comprehensive income (loss)	$ 19,899	$ (119,674)	$ 69,528	$ (97,605)

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Interim Consolidated Statements of Shareholders Equity

(Unaudited)

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

Nine months ended September 30, 2012 and year ended December 31, 2011

	Number of common shares		Number of preferred shares								Accumulated other	Total
	Class A	Class C	Series A	Series B	Series C	Common shares	Preferred shares	Treasury shares	Additional paid-in capital	Deficit	comprehensive loss	shareholders equity
Balance, December 31, 2010	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)										(47,414)		(47,414)
Dividends on Series B preferred shares									841	(1,813)		(972)

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	409,501				4			6,209			6,213
Share-based compensation (note 13)	194,714				3			4,005			4,008
Net earnings									62,322		62,322
Other comprehensive income										7,206	7,206
Dividends on class A common shares ($0.6875 per share)									(43,185)		(43,185)
Shares repurchased, including related expenses	(11,416,501)				(114)			(172,228)			(172,342)
Shares issued and retired on acquisition (note 3)	4,220,728	(100)			42			75,745			75,787
Treasury shares	(19,433)				(1)		(301)				(302)
Dividends on Series C preferred shares									(24,938)		(24,938)
Amortization of Series C issuance costs								682	(682)		
Balance, September 30, 2012	63,009,069		200,000	14,000,000	$ 630	$ 142	$ (301)	$ 1,775,392	$ (628,889)	$ (48,780)	$ 1,098,194

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Interim Consolidated Statements of Cash Flows

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended		Nine months ended	
	September 30, 2012	**September 30, 2011**	**September 30, 2012**	**September 30, 2011**
Cash from (used in):				
Operating activities:				
Net earnings (loss)	$ 17,813	$ (122,607)	$ 62,322	$ (106,917)
Items not involving cash:				
Depreciation and amortization	42,527	38,378	122,742	102,200
Share-based compensation (note 13)	901	1,014	3,430	2,266
Amortization of deferred charges (note 6)	1,877	917	5,643	2,568
Amounts reclassified from other comprehensive loss to interest expense	1,859	2,784	6,595	8,970
Unrealized change in fair value of financial instruments (note 17)	14,581	142,496	40,152	160,742
Loss (gain) on vessels		8,890	(9,773)	8,890
Equity loss on investment	83		217	
Changes in assets and liabilities:				
Accounts receivable	7,003	97	18,326	(358)
Prepaid expenses	5,158	(4,825)	19,222	(7,236)
Other assets and deferred charges	(3,111)	(1,658)	(11,696)	(9,045)
Accounts payable and accrued liabilities	(16,477)	(886)	(35,915)	5,757
Deferred revenue	(618)	1,447	(2,095)	(1,938)
Other long-term liabilities (note 10)	10,418	(4,002)	4,798	(7,241)
Cash from operating activities	82,014	62,045	223,968	158,658
Financing activities:				
Series C preferred shares issued, net of share issue costs		(89)		344,567
Draws on credit facilities (note 9)		544,863	113,672	547,160
Repayment of credit facilities (note 9)	(27,394)	(366)	(38,380)	(366)
Shares repurchased, including related expenses (note 11)	(1,403)		(172,341)	
Repayment of other long-term liabilities (note 10)	(10,618)	(6,210)	(43,602)	(11,910)
Financing fees (note 6)	(3,797)	(6,941)	(3,615)	(8,008)
Dividends on common shares	(14,793)	(9,378)	(36,972)	(25,004)
Dividends on preferred shares	(8,313)	(8,151)	(24,938)	(14,866)
Swaption premium payment	(10,000)		(10,000)	
Cash from (used in) financing activities	(76,318)	513,728	(216,176)	831,573
Investing activities:				
Expenditures for vessels	(45,864)	(302,906)	(210,139)	(602,171)
Short-term investments	(25,049)		(35,123)	
			23,911	

Cash acquired on acquisition of Seaspan Management Services Ltd. (note 3)				
Restricted cash		(5,000)	5,000	
Intangible assets	(94)	(944)	436	(2,528)
Investment in affiliate		(4,015)		(4,015)
Cash used in investing activities	(71,007)	(312,865)	(215,915)	(608,714)
Increase (decrease) in cash and cash equivalents	(65,311)	262,908	(208,123)	381,517
Cash and cash equivalents, beginning of period	338,311	152,828	481,123	34,219
Cash and cash equivalents, end of period	$ 273,000	$ 415,736	$ 273,000	$ 415,736

Supplementary information (note 14(b))

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

(Unaudited)

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

Three and nine months ended September 30, 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 September 30, 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.

(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.

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

(Unaudited)

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

Three and nine months ended September 30, 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.

(d) Comparative information:

Certain information has been reclassified to conform with the financial statement presentation adopted for the current quarter.

3. Acquisition of Seaspan Management Services Limited:

On January 27, 2012, the Company acquired 100 percent 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
Aggregate purchase price	$ 97,705

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.

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

(Unaudited)

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

Three and nine months ended September 30, 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 and nine months ended September 30, 2012, the Company incurred $198,000 and $1,025,000 of acquisition-related costs that have been included in general and administrative expense in the Company s consolidated statements of operations.

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
Total assets acquired	132,817
Debt assumed	5,000
Current liabilities	29,153
Other long-term liabilities	959
Net assets acquired	$ 97,705

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.

(a) Pro forma information:

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.

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

(Unaudited)

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

Three and nine months ended September 30, 2012

4. Related party transactions:

Prior to the acquisition of the Manager on January 27, 2012, 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 (TEU)	**Number of vessels**	**Weighted-average technical services fee (in whole amounts, per vessel per 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

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

(Unaudited)

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

Three and nine months ended September 30, 2012

4. Related party transactions (continued):

The following table summarizes the amounts incurred for the three and nine months ended September 30, 2012:

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Costs incurred under the Management Agreements:				
Technical services	$	$ 36,297	$ 9,712	$ 100,003
Dry-dock activities included in technical services		1,565	419	4,331
Administrative and strategic services		18	5	54
Reimbursed expenses		1,098	305	2,928
Construction supervision		377	100	1,599
Costs incurred with the Manager and parties related thereto:				
Consulting services				84
Arrangement fee	1,790	1,620	1,790	1,620
Technical service fees advance		3,868		3,868
Transaction fee	123	369	123	369

As at September 30, 2012, the Company had amounts due from related parties of $985,916 (December 31, 2011 nil) included in accounts receivable.

5. Vessels:

September 30, 2012	Cost	Accumulated depreciation	Net book value
Vessels	$ 5,340,001	$ 512,058	$ 4,827,943
Vessels under construction	76,146		76,146
Vessels	$ 5,416,147	$ 512,058	$ 4,904,089

December 31, 2011	Cost	Accumulated depreciation	Net book value
Vessels	$ 4,684,325	$ 394,994	$ 4,289,331

Vessels under construction	407,918		407,918
Vessels	$ 5,092,243	$ 394,994	$ 4,697,249

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

(Unaudited)

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

Three and nine months ended September 30, 2012

5. Vessels (continued):

During the nine months ended September 30, 2012, the Company capitalized interest costs of $2,953,000 (September 30, 2011 $10,962,000) as vessels under construction.

In June 2012, the $53,000,000 term loan credit facility with a U.S. bank matured upon expiration of the UASC Madinah time charter. On June 27, 2012, the Company sold the UASC Madinah to that U.S. bank for $52,104,000 the amount outstanding under the term loan resulting in a gain on vessel of $9,773,000.

6. Deferred charges:

	Dry-docking	Financing fees	Total
December 31, 2011	$ 9,370	$ 36,547	$ 45,917
Cost incurred	6,103	4,511	10,614
Amortization expensed	(2,232)	(5,643)	(7,875)
Amortization capitalized		(349)	(349)
September 30, 2012	$ 13,241	$ 35,066	$ 48,307

7. Other assets:

	September 30, 2012	December 31, 2011
Prepaid expense	$	$ 11,203
Intangible assets	3,250	6,538
Investment in affiliate	567	784
Capital assets	556	
Restricted cash	60,000	65,000
Other	8,619	5,229
Other assets	$ 72,992	$ 88,754

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

(Unaudited)

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

Three and nine months ended September 30, 2012

8. Deferred revenue:

	September 30, 2012	December 31, 2011
Deferred revenue on time charters	$ 19,278	$ 17,779
Deferred interest on lease receivable	13,737	17,981
Other deferred revenue	650	
Deferred revenue	33,665	35,760
Current portion	(24,674)	(23,257)
Deferred revenue	$ 8,991	$ 12,503

9. Long-term debt:

	September 30, 2012	December 31, 2011
Long-term debt:		
$1.0 billion credit facility	$ 1,032,745	$ 1,032,745
$365.0 million revolving credit facility	306,700	323,200
$218.4 million credit facility	217,661	217,661
$920.0 million revolving credit facility	890,257	890,257
$150.0 million credit facility	148,386	79,672
$291.2 million credit facility	265,324	202,026
$235.3 million credit facility	221,059	182,168
$53.0 million term loan credit facility		53,000
$15.0 million term loan	15,000	15,000
$5.0 million line of credit		
$150.0 million revolving credit facility		
$223.8 million credit facility		
Long-term debt	3,097,132	2,995,729
Current portion	(73,197)	(81,482)
Long-term debt	$ 3,023,935	$ 2,914,247

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

(Unaudited)

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

Three and nine months ended September 30, 2012

9. Long-term debt (continued):

(a) On July 6, 2012, the Company amended its $1.3 billion credit facility to reduce the lenders commitment from $1.3 billion to $1.0 billion, or by $267,000,000 (the undrawn amount under the facility). As a result of the foregoing reduction in the lenders commitment, the Company will now refer to this as its $1.0 billion credit facility.

(b) On July 3, 2012, three of the Company s subsidiaries entered into a $223,800,000 loan facility with a leading Chinese bank. The proceeds of this facility will be used by the Company to fund the construction of its three 10000 TEU vessels. The loan is non-interest bearing until the first drawdown date, upon drawdown, interest is payable quarterly calculated at the LIBOR rate for the relevant three month period plus a margin. The Company is subject to a commitment fee of 0.2% per annum calculated on the undrawn amount of the loan. At September 30, 2012, no amounts have been drawn under this facility.

Minimum repayments:

As at September 30, 2012, minimum repayments for the balances outstanding with respect to the credit facilities are as follows:

Remainder of 2012	$ 32,950
2013	173,740
2014	297,882
2015	831,618
2016	120,319
Thereafter	1,640,623
	$ 3,097,132

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.

10. Other long-term liabilities:

	September 30, 2012	December 31, 2011
Other long-term liability	$ 661,506	$ 620,512

Accrued liabilities				400
Other long-term liabilities		661,506		620,912
Current portion		(38,481)		(37,649)
Other long-term liabilities	$	623,025	$	583,263

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10. Other long-term liabilities (continued):

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 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 September 30, 2012, the carrying value of the vessels being funded under this facility is $459,248,000 (December 31, 2011 $470,770,000).

(b) Lease for one 13100 TEU vessel:
As of September 30, 2012, the carrying value of the vessel being funded under this facility is $166,262,000 (December 31, 2011 $170,330,000).

(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 September 30, 2012, the carrying value of the vessel being funded under this facility is $ 171,743,000 (December 31, 2011 $89,790,000).

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10. Other long-term liabilities (continued):

(c) Lease for one 13100 TEU vessel (continued):

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

Remainder of 2012	$ 13,962
2013	64,646
2014	63,397
2015	127,384
2016	293,351
Thereafter	218,013
	780,753
Less amounts representing interest	(119,247)
	$ 661,506

11. Share capital:

(a) Common shares:

On January 19, 2012, the Company accepted the re-purchase of 11,300,000 shares of its Class A common stock at a price of $15.00 per share, for an aggregate cost of $170,609,000 including fees and expenses of $1,110,000 relating to the tender offer.

On January 27, 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.

In February 2012, the Company adopted an open market share repurchase plan of up to $50,000,000 of its Class A common shares. During the three and nine months ended September 30, 2012, 94,401 and 116,501 Class A common shares were repurchased via the open market repurchase plan for $1,403,000 and $1,732,000, respectively.

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11. Share capital (continued):

(b) Preferred shares:

The Company had the following preferred shares outstanding:

	Shares		Liquidation preference	
Series	**Authorized**	**Issued**	**September 30, 2012**	**December 31, 2011**
A	315,000	200,000	$ 296,893	$ 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 $250,000,000. 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.

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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 September 30, 2012	**Income (numerator)**	**Shares (denominator)**	**Per share amount**
Net earnings	$ 17,813		
Less:			
Series A preferred share dividends	(8,717)		
Series C preferred share dividends	(8,518)		
Basic EPS:			
Income from continuing operations attributable to common shareholders	$ 578	62,664,000	$ 0.01
Effect of dilutive securities:			
Share-based compensation		248,000	
Contingent consideration (note 3)		703,000	
Shares held in escrow (note 3)		586,000	
Basic and diluted EPS:			
Income attributable to common shareholders plus assumed conversion	$ 578	64,201,000	$ 0.01

For the three months ended September 30, 2011	**Income (numerator)**	**Shares (denominator)**	**Per share amount**
Net loss	$ (122,607)		
Less:			
Series A preferred share dividends	(7,742)		
Series B preferred share dividends	(617)		
Series C preferred share dividends	(8,485)		
Basic and diluted EPS [(1)] :			
Loss from continuing operations attributable to common shareholders	$ (139,451)	69,257,000	$ (2.01)

(1) The convertible Series A preferred shares, contingent consideration, shares held in escrow and share-based compensation are not included in the computation of diluted EPS if their effects are anti-dilutive for the period.

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(Unaudited)

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Three and nine months ended September 30, 2012

12. Earnings per share (continued):

For the nine months ended September 30, 2012	**Income (numerator)**	**Shares (denominator)**	**Per share amount**
Net earnings	$ 62,322		
Less:			
Series A preferred share dividends	(25,216)		
Series C preferred share dividends	(25,620)		
Basic EPS:			
Income from continuing operations attributable to common shareholders	$ 11,486	62,989,000	$ 0.18
Effect of dilutive securities:			
Share-based compensation		219,000	
Contingent consideration (note 3)		638,000	
Shares held in escrow (note 3)		531,000	
Diluted EPS:			
Income attributable to common shareholders plus assumed conversion	$ 11,486	64,377,000	$ 0.18

For the nine months ended September 30, 2011	**Income (numerator)**	**Shares (denominator)**	**Per share amount**
Net loss	$ (106,917)		
Less:			
Series A preferred share dividends	(22,319)		
Series B preferred share dividends	(1,813)		
Series C preferred share dividends	(20,031)		
Basic and diluted EPS [(1)]:			
Loss from continuing operations attributable to common shareholders	$ (151,080)	69,045,000	$ (2.19)

(1) The convertible Series A preferred shares, contingent consideration, shares held in escrow and share-based compensation are not included in the computation of diluted EPS if their effects are anti-dilutive for the period.

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(Unaudited)

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Three and nine months ended September 30, 2012

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 September 30, 2012, there are 884,319 (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.

A summary of the Company s outstanding restricted shares and phantom share units as of and for the nine months ended September 30, 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	63,653	14.17	40,000	17.68
Vested	(43,200)	13.04		
September 30, 2012	63,653	$ 14.17	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 September 30, 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 three and nine months ended September 30, 2012, the Company recognized $851,000 and $2,457,000 (September 30, 2011 - $826,000 and $1,703,000) related to restricted share units and phantom share units, and $188,000 and $563,000 (September 30, 2011 - nil and nil) in share-based compensation expenses related to other stock-based awards. In addition, the Company recognized $62,000 and $246,000 (September 30, 2011 - nil and nil) during the three and nine months ended September 30, 2012 in other stock-based awards that was capitalized to vessels under construction. During the nine months ended September 30, 2012, the total fair value of shares vested was $563,000 (December 31, 2011 - $462,000). As at September 30, 2012, there was $1,909,000 (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 15 months.

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13. Share-based compensation (continued):

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. This plan was settled and the shares were transferred during the period.

14. Other information:

(a) Accounts payable and accrued liabilities:
The principal components of accounts payable and accrued liabilities are:

	September 30, 2012	December 31, 2011
Due to related parties	$	$ 1,816
Accrued interest	20,330	19,592
Other accrued liabilities	26,350	25,992
	$ 46,680	$ 47,400

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

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Interest paid on debt	$ 21,769	$ 7,917	$ 48,106	$ 19,493
Interest received	171	214	417	468
Undrawn credit facility fee paid	66	301	846	1,378
Non-cash transactions:				
Dividends on Series A preferred shares	8,717	7,742	25,216	22,319
Dividend reinvestment	937	3,565	6,213	9,421

Other long-term liabilities for vessels under construction	5,981	84,787	105,781
Long-term debt for vessels under construction		71,400	
Acquisition of the Manager less cash received		73,795	
Consideration on sale of vessel		52,104	

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15. Commitments and contingent obligations:

(a) As at September 30, 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:

Remainder of 2012	$
2013	50,600
2014	209,440
	$ 260,040

(b) As at September 30, 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	$ 167,998
2013	652,408
2014	673,005
2015	673,282
2016	627,546
Thereafter	3,097,285
	$ 5,891,524

(c) As of September 30, 2012, the commitment under the operating lease for office space is as follows:

Remainder of 2012	$ 338
2013	1,399
2014	1,541
2015	1,550

2016	1,572
Thereafter	3,274
	$ 9,674

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15. Commitments and contingent obligations (continued):

(d) As of September 30, 2012, the Company has an operating lease for a vessel. The commitment under the vessel operating lease is as follows:

Remainder of 2012	$ 1,344
2013	5,395
2014	5,417
2015	5,441
2016	5,465
Thereafter	28,077
	$ 51,139

16. Concentrations:
The Company s revenue is derived from the following customers:

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
CSCL Asia	$ 37,258	$ 40,527	$ 115,936	$ 120,459
COSCON	75,362	50,709	205,148	112,728
HL USA	14,900	14,899	44,076	42,752
K-Line	19,195	18,091	57,164	43,324
MOL	10,628	10,628	31,383	31,537
Other	11,324	19,972	33,370	58,693
	$ 168,667	$ 154,826	$ 487,077	$ 409,493

17. Financial instruments:

(a) Fair value:

The carrying values of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair values because of their short-term to maturity. As of September 30, 2012, the fair value of the Company s long-term debt is equal to $2,654,620,000 (December 31, 2011 - $2,551,222,000). As of September 30, 2012, the fair value of the Company s other long-term liabilities is equal to $643,422,000 (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.

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17. Financial instruments (continued):

(a) Fair value (continued):

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 interest rate swaptions, 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.

Counterparties to the derivative financial instruments are major financial institutions. Due to the nature of the counterparties and the fact that instruments were primarily in favour of counterparties at September 30, 2012, the risk of credit loss related to these counterparties is considered to be immaterial at September 30, 2012.

As of September 30, 2012, the Company had the following outstanding interest rate derivatives:

Fixed per annum rate swapped for LIBOR	Notional amount as at September 30, 2012	Maximum notional amount [1]	Effective date	Ending date
5.6400%	$ 714,500	$ 714,500	August 31, 2007	August 31, 2017
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[2]
5.2000%	96,000	96,000	December 18, 2006	October 2, 2015
5.1700%	24,000	55,500	April 30, 2007	May 29, 2020

5.1750%	663,399	663,399	July 16, 2012	July 15, 2016
5.8700%		620,390	August 31, 2017	November 28, 2025
5.4975%	59,700	59,700	July 31, 2012	July 31, 2019

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17. Financial instruments (continued):

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

(1) 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.

(2) 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.

The Company has entered into swaption agreements with a bank (Swaption Counterparty) whereby the Swaption Counterparty has the option to require the Company to enter into interest rate swaps to pay LIBOR and receive a fixed rate of 1.183% and to pay 0.5% and receive LIBOR, respectively. The notional amounts of the underlying swaps are each $200,000,000 with an effective date of March 2, 2017 and an expiration of March 2, 2027.

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

Fair value of asset and liability derivatives:

	September 30, 2012	December 31, 2011
Fair value of financial instruments asset	$ 38,760	$
Fair value of financial instruments liability	633,402	564,490

Loss recognized in income on derivatives:

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Change in fair value of financial instruments	$ (45,847)	$ (174,580)	$ (132,607)	$ (253,525)

Gain (loss) reclassified from AOCI into income:

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Interest expense	$ (1,859)	$ (2,784)	$ (6,595)	$ (8,970)
Depreciation	(227)	(149)	(611)	(342)

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17. Financial instruments (continued):

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

The estimated amount of accumulated other comprehensive income expected to be reclassified into earnings within the next 12 months is $6,865,000.

18. Subsequent events:

(a) On October 18, 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 October 30, 2012 to all shareholders of record as of October 29, 2012.

(b) On October 27, 2012, the Company declared a quarterly dividend of $0.25 per common share, representing a distribution of $15,757,000. The dividend is payable on November 23, 2012 to all shareholders of record as of November 13, 2012.

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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 September 30, 2012, we operated a fleet of 69 vessels (including eight leased vessels) and have entered into contracts to purchase an additional three containerships. The average age of the 69 vessels in our operating fleet was approximately five years as of September 30, 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 as of the date of this Report.

Customers for Current Fleet
CSAV
CSCL Asia
COSCON
HL USA
HMM
K-Line
MSC
MOL
OOCL
Yang Ming

Customer for Additional Three Newbuilding Vessels
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.

Significant Developments

Delivery of Four New Vessels

During the nine-month period ended September 30, 2012, we accepted delivery of four vessels, bringing our operating fleet to a total of 69 vessels as of September 30, 2012. The vessel deliveries are summarized below:

Vessel	Vessel Class (TEU)	Length of Time Charter	Charterer	Delivery Date
COSCO Excellence	13100	12 years	COSCON	March 2012
COSCO Faith	13100	12 years	COSCON	March 2012
COSCO Hope	13100	12 years	COSCON	April 2012
COSCO Fortune	13100	12 years	COSCON	April 2012

Election of Director

On August 1, 2012, the holders of the outstanding Series A Preferred shares elected Harald Horst Ludwig to our board of directors, effective August 1, 2012. Pursuant to the our articles of incorporation, the holders of Series A Preferred shares have the right to elect up to two members of the board. George H. Juetten was elected by the holders of Series A Preferred shares in 2009. The Board also has determined that Mr. Ludwig qualifies as an independent director under the New York Stock Exchange rules.

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Mr. Ludwig has over 30 years of extensive business and investment experience, including as President of Macluan Capital Corporation (a diversified private equity investment company), as a director and former Co-Chairman of Lions Gate Entertainment Corp., and as a director of West Fraser Timber Co. Ltd. He also serves on the boards of Canadian Overseas Petroleum Limited, West African Iron Ore Corp. and Zattikka plc, and was formerly a director of Prima Colombia Hardwood Inc. and Third Wave Acquisition Corp. Mr. Ludwig is also a founding partner or private equity investor in a number of North American and international private equity firms, hedge funds, mezzanine lenders, growth capital providers, distressed investment firms and real estate investment vehicles. He is a Member of the Advisory Board of Tennenbaum Capital Partners, LLC and a Governor of the British Columbia Children s Hospital Foundation. Mr. Ludwig graduated from Simon Fraser University and holds an L.L.B. from Osgoode Hall Law School.

In connection with Mr. Ludwig s service as director, he will be entitled to our customary compensatory arrangements for non-employee directors, including an annual cash retainer of $60,000 and an annual retainer of $100,000 paid in restricted shares of our Class A common stock.

CSCL Felixstowe Time Charter

The CSCL Felixstowe was re-delivered to us on August 21, 2012. The vessel was renamed Seaspan Felixstowe. On September 9, 2012, the Seaspan Felixstowe commenced a time charter with OOCL for a period of up to six months.

CSCL Dalian Time Charter

The CSCL Dalian was re-delivered to us on July 13, 2012. The vessel was renamed Seaspan Dalian. On July 26, 2012, the Seaspan Dalian commenced a time charter with HMM for a period of up to six months.

Loan Facility Transaction

On July 3, 2012, three of our subsidiaries entered into a loan facility with a leading Chinese bank for an amount of up to $223.8 million relating to three of our 10000 TEU newbuilding vessels. The facility bears interest at LIBOR plus a margin. These vessels are being constructed by New Jiangsu and Jiangsu Xinfu, and are scheduled to be delivered in 2014. Immediately after delivery, these vessels will be chartered to Hanjin for a period of 10 years, plus an additional two years at the option of Hanjin. Certain financial obligations of the subsidiaries to the Chinese bank under this loan facility are supported by our conditional guarantee.

$1.3B Credit Facility Amendment

On July 6, 2012, we amended our $1.3 billion credit facility to (i) reduce the lenders commitment from $1.3 billion to $1.0 billion, or by $267.0 million, (the undrawn amount under the facility), and (ii) set out a revised formula for the amount we are required to repay on the removal of a vessel as security under the facility. As a result of the foregoing reduction in the lenders commitment, we will now refer to this as our $1.0 billion credit facility. We paid an administration fee to the lenders in the aggregate amount of $1.95 million.

Madinah

In March 2012, United Arab Shipping Company (S.A.G.) (UASC) notified us that the time charter for the UASC Madinah would not be extended, and the vessel was returned to us in June 2012. On June 20, 2012, the Madinah commenced a time charter with Yang Ming for a period of up to seven months.

Prior to June 27, 2012, this vessel was owned by one of our subsidiaries, and was chartered by the subsidiary to us. Our subsidiary financed the vessel with a term loan of $53.0 million from a leading U.S. bank, which matured in June 2012. On June 27, 2012, our subsidiary sold the vessel to the U.S. bank for $52.1 million, the amount then outstanding under the term loan, and the sale proceeds were used to repay the loan in full. The U.S. bank leased the vessel back to our subsidiary for approximately nine years.

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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. During the nine months ended September 30, 2012, we repurchased 116,501 shares on the open market under this share repurchase plan for an aggregate of $1.7 million, or an average of $14.86 per share. An additional $48.3 million is authorized under the 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, where 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

Dividends

On October 27, 2012, our board of directors declared a quarterly dividend of $0.25 per common share of our Class A common stock with respect to the quarter ended September 30, 2012. The dividend will be paid on November 23, 2012 to all shareholders of record as of November 13, 2012. 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.

On October 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 October 29, 2012 for the period from July 30, 2012 to October 29, 2012.

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Our Fleet

Our Current Fleet

The following table summarizes key facts regarding our 69 operating vessels as of September 30, 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[1]	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[1]	13100	2012	3/14/12	COSCON	12 years	55.0
COSCO Hope	13100	2012	4/19/12	COSCON	12 years	55.0
COSCO Fortune	13100	2012	4/29/12	COSCON	12 years	55.0
CSCL Zeebrugge	9600	2007	3/15/07	CSCL Asia	12 years	34.0[2]
CSCL Long Beach	9600	2007	7/6/07	CSCL Asia	12 years	34.0[2]
CSCL Oceania	8500	2004	12/4/04	CSCL Asia	12 years + one 3-year option	29.8[3]
CSCL Africa	8500	2005	1/24/05	CSCL Asia	12 years + one 3-year option	29.8[3]
COSCO Japan	8500	2010	3/9/10	COSCON	12 years + three 1-year options	42.9[4]
COSCO Korea	8500	2010	4/5/10	COSCON	12 years + three 1-year options	42.9[4]
COSCO Philippines	8500	2010	4/24/10	COSCON	12 years + three 1-year options	42.9[4]
COSCO Malaysia	8500	2010	5/19/10	COSCON	12 years + three 1-year options	42.9[4]
COSCO Indonesia	8500	2010	7/5/10	COSCON	12 years + three 1-year options	42.9[4]
COSCO Thailand	8500	2010	10/20/10	COSCON	12 years + three 1-year options	42.9[4]
COSCO Prince Rupert	8500	2011	3/21/11	COSCON	12 years + three 1-year options	42.9[4]
Alianca Itapoa[5]	8500	2011	4/21/11	COSCON	12 years + three 1-year options	42.9[4]
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[6]
MSC Manu	4800	1988	11/15/11	MSC	5 years	10.0[6]
MSC Leanne	4800	1989	10/19/11	MSC	5 years	10.0[6]
MSC Carole	4800	1989	10/12/11	MSC	5 years	10.0[6]
Brotonne Bridge[1]	4500	2010	10/25/10	K-Line	12 years + two 3-year options	34.3[7]
Brevik Bridge[1]	4500	2011	1/25/11	K-Line	12 years + two 3-year options	34.3[7]
Bilbao Bridge[1]	4500	2011	1/28/11	K-Line	12 years + two 3-year options	34.3[7]
Berlin Bridge[1]	4500	2011	5/9/11	K-Line	12 years + two 3-year options	34.3[7]
Budapest Bridge[1]	4500	2011	8/1/11	K-Line	12 years + two 3-year options	34.3[7]
CSAV Licanten[8]	4250	2001	7/3/01	CSCL Asia	10 years + one 2-year option	18.3[9]
CSCL Chiwan	4250	2001	9/20/01	CSCL Asia	10 years + one 2-year option	18.3[9]
Seaspan Ningbo	4250	2002	4/17/12	CSCL Asia	6 months + one 6-month option	Short term rate [10]
Seaspan Dalian	4250	2002	7/26/12	HMM	Up to 6 months	Short term rate [10]