

Seaspan CORP
Form 6-K
August 05, 2011
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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 June 30, 2011

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

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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

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Item 1 Information Contained in this Form 6-K Report

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

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: August 5, 2011

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

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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, which provide us with technical, administrative and strategic services.

Shipbuilders. References to Samsung are to Samsung Heavy Industries Co., Ltd. References to HHI are to Hyundai Heavy Industries Co., Ltd. References to HSHI are to Hyundai Samho Heavy Industries Co., Ltd., a subsidiary of HHI. References to Jiangsu are to Jiangsu Yangzijiang Shipbuilding Co., Ltd. References to New Jiangsu are to Jiangsu New Yangzi Shipbuilding Co., Ltd. References to Jiangsu Xinfu are to Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd. References to Zhejiang are to Zhejiang Shipbuilding Co. Ltd. References to Odense-Lindo are to Odense-Lindo Shipyard Ltd.

Customers. References to CSCL Asia are to China Shipping Container Lines (Asia) Co., Ltd., a subsidiary of China Shipping Container Lines Co., Ltd., or CSCL. References to APM are to A.P. Møller-Mærsk A/S. References to HL USA are to Hapag-Lloyd USA, LLC, a subsidiary of Hapag-Lloyd, AG, or Hapag-Lloyd. References to COSCON are to COSCO Container Lines Co., Ltd., a subsidiary of China COSCO Holdings Company Limited. References to K-Line are to Kawasaki Kisen Kaisha Ltd. References to MOL are to Mitsui O.S.K. Lines, Ltd. References to CSAV are to Compañia Sud Americana De Vapores S.A. References to UASC are to United Arab Shipping Company (S.A.G.). References to Hanjin are to Hanjin Shipping Co., LTD.

We use the term twenty foot equivalent unit, or TEU, the international standard measure of containers, in describing the capacity of our containerhips, 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, 2010, filed with the Securities and Exchange Commission, or the Commission, on March 30, 2011, or our 2010 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)

	June 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 152,828	\$ 34,219
Accounts receivable	1,472	1,017
Prepaid expenses	13,939	11,528
	168,239	46,764
Vessels (note 3)	4,548,087	4,210,872
Deferred charges (note 4)	39,792	37,607
Other assets (note 5)	81,392	81,985
	\$ 4,837,510	\$ 4,377,228
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 11(a))	\$ 35,413	\$ 28,394
Deferred revenue	7,311	10,696
Current portion of other long-term liabilities (note 7)	33,425	19,096
	76,149	58,186
Long-term debt (note 6)	2,399,068	2,396,771
Other long-term liabilities (note 7)	601,230	524,716
Fair value of financial instruments (note 13(c))	426,065	407,819
Shareholders equity:		
Share capital (note 8):		
Preferred shares; \$0.01 par value; 65,000,000 shares authorized		
Class A common shares; \$0.01 par value;		
200,000,000 shares authorized; 69,015,967 shares issued and outstanding (2010 - 68,601,240)		
Class B common shares; \$0.01 par value; 25,000,000 shares authorized; nil shares issued and outstanding		
(2010 - nil)	835	691

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Class C common shares; \$0.01 par value; 100 shares authorized; 100 shares issued and outstanding (2010 - 100)

Additional paid in capital	1,879,124	1,526,822
Deficit	(483,179)	(469,616)
Accumulated other comprehensive loss	(61,782)	(68,161)
	1,334,998	989,736
	\$ 4,837,510	\$ 4,377,228

Commitments and contingent obligations (note 12)

Subsequent events (note 14)

See accompanying notes to interim consolidated financial statements.

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Interim Consolidated Statements of Operations

(Unaudited)

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

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Revenue	\$ 133,672	\$ 97,545	\$ 254,667	\$ 177,914
Operating expenses:				
Ship operating (note 2)	32,809	26,583	63,875	49,040
Depreciation	32,818	24,055	62,776	44,373
General and administrative	5,032	2,424	7,726	4,308
	70,659	53,062	134,377	97,721
Operating earnings	63,013	44,483	120,290	80,193
Other expenses (income):				
Interest expense	10,656	6,926	20,803	11,979
Interest income	(172)	(6)	(327)	(36)
Undrawn credit facility fee	1,221	906	2,482	2,061
Amortization of deferred charges (note 4)	1,423	831	2,697	1,488
Change in fair value of financial instruments	84,747	157,668	78,945	223,159
	97,875	166,325	104,600	238,651
Net earnings (loss)	\$ (34,862)	\$ (121,842)	\$ 15,690	\$ (158,458)
Loss per share (note 9):				
Class A common share, basic	\$ (0.72)	\$ (1.89)	\$ (0.17)	\$ (2.52)
Class A common share, diluted	(0.72)	(1.89)	(0.17)	(2.52)
Class C common share, basic and diluted				

See accompanying notes to interim consolidated financial statements.

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Interim Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Net earnings (loss)	\$ (34,862)	\$ (121,842)	\$ 15,690	\$ (158,458)
Other comprehensive income:				
Amounts reclassified to earnings (loss) during the period	3,003	3,361	6,379	6,042
Comprehensive income (loss)	\$ (31,859)	\$ (118,481)	\$ 22,069	\$ (152,416)

See accompanying notes to interim consolidated financial statements.

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Interim Consolidated Statements of Shareholders' Equity

(Unaudited)

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

Six months ended June 30, 2011 and year ended December 31, 2010

	Number of common shares		Number of preferred shares			Common shares	Preferred 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, 2009	67,734,811	100	200,000			\$ 677	\$ 2	\$ 1,489,936	\$ (349,802)	\$ (81,247)	\$ 1,059,566
Series B preferred shares issued (note 8)				260,000			3	25,997			26,000
Fees and expenses in connection with issuance of preferred shares								(104)			(104)
Shares issued through dividend reinvestment program (note 8)	708,325					7		7,693			7,700
Share-based compensation expense (note 10):											
Restricted class A common shares and phantom share units issued	158,104					2		2,668			2,670
Net earnings									(87,747)		(87,747)
Other comprehensive income										13,086	13,086
Dividends on class A common shares (\$0.45 per share)									(30,658)		(30,658)
Dividends on Series B preferred shares								632	(1,409)		(777)
Balance, December 31, 2010	68,601,240	100	200,000	260,000		\$ 686	\$ 5	\$ 1,526,822	\$ (469,616)	\$ (68,161)	\$ 989,736
Series C preferred shares issued (note 8)					14,000,000		140	349,860			350,000
Fees and expenses in connection with issuance of preferred shares								(9,729)			(9,729)
Premium on issuance of Series C preferred								4,385			4,385

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shares												
Shares issued through dividend reinvestment program (note 8)	371,527				4			5,853				5,857
Share-based compensation expense (note 10):												
Restricted class A common shares and phantom share units issued	43,200							877				877
Net earnings									15,690			15,690
Other comprehensive income										6,379		6,379
Dividends on class A common shares (\$0.3125 per share)									(21,483)			(21,483)
Dividends on Series B preferred shares								551	(1,196)			(645)
Dividends on Series C preferred shares									(6,069)			(6,069)
Amortization of Series C issuance costs								505	(505)			
Balance, June 30, 2011	69,015,967	100	200,000	260,000	14,000,000	\$ 690	\$ 145	\$ 1,879,124	\$ (483,179)	\$ (61,782)		\$ 1,334,998

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		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Cash provided by (used in):				
Operating activities:				
Net earnings (loss)	\$ (34,862)	\$ (121,842)	\$ 15,690	\$ (158,458)
Items not involving cash:				
Depreciation	32,818	24,055	62,776	44,373
Share-based compensation (note 10)	865	727	1,252	1,274
Amortization of deferred charges (note 4)	1,423	831	2,697	1,488
Amounts reclassified from other comprehensive loss to interest expense	2,900	3,294	6,185	5,924
Unrealized change in fair value of financial instruments	53,798	129,144	18,246	167,559
Changes in assets and liabilities:				
Prepaid expenses and accounts receivable	(1,488)	(1,880)	(2,866)	(2,351)
Other assets and deferred charges	(2,810)	(1,504)	(7,387)	(2,631)
Accounts payable and accrued liabilities	9,964	7,465	6,643	5,676
Deferred revenue	754	(127)	(3,385)	(5,188)
Other long-term liabilities (note 7)	(3,139)		(3,239)	
Cash from operating activities	60,223	40,163	96,612	57,666
Financing activities:				
Preferred shares issued, net of share issue costs	104,280	25,895	344,656	25,895
Draws on credit facilities (note 6)	387	183,124	2,297	362,480
Other long-term liabilities (note 7)				21,250
Repayment on other long-term liabilities (note 7)	(3,487)		(5,700)	
Financing fees (note 4)	(385)	(214)	(1,067)	(3,077)
Dividends on common shares	(9,375)	(5,159)	(15,626)	(10,306)
Dividends on Series B preferred shares	(325)	(121)	(645)	(121)
Dividends on Series C preferred shares	(6,069)		(6,069)	
Cash provided by financing activities	85,026	203,525	317,846	396,121
Investing activities:				
Expenditures for vessels	(208,704)	(316,316)	(299,265)	(574,625)
Restricted cash	5,000		5,000	(5,000)
Intangible assets	(995)	(754)	(1,584)	(1,174)
Cash used in investing activities	(204,699)	(317,070)	(295,849)	(580,799)
Increase (decrease) in cash and cash equivalents	(59,450)	(73,382)	118,609	(127,012)
Cash and cash equivalents, beginning of period	212,278	79,770	34,219	133,400
Cash and cash equivalents, end of period	\$ 152,828	\$ 6,388	\$ 152,828	\$ 6,388

Supplementary information (note 11(b))

See accompanying notes to interim consolidated financial statements.

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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 and six months ended June 30, 2011

1. General:

Seaspans 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, 2010 consolidated financial statements filed with the Securities and Exchange Commission in the Company's Annual Report on Form 20-F.

2. Related party transactions:

The ultimate beneficial owners of Seaspans Management Services Limited (the Manager) also directly and indirectly own common shares, or common shares and preferred shares, of the Company. The Manager and its subsidiaries also have certain officers and directors in common with the Company.

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

Technical Services - The Manager is 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 provides administrative and strategic services to the Company for the management of the business for a fixed fee of \$72,000 per year. The Company will also reimburse all reasonable expenses incurred by the Manager in providing these services to the Company. In connection with entering into the agreement to provide the Company with strategic services, the Company issued 100 incentive shares to the Manager (note 8).

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Notes to Interim Consolidated Financial Statements

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

Three and six months ended June 30, 2011

2. Related party transactions (continued):

The following are technical service fees under the Management Agreements:

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	3	6,916
4800	4	7,848
5100	4	6,482
8500	10	7,268
9600	2	7,406
13100	7	8,455

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Costs incurred under the Management Agreements				
Technical services	\$ 33,040	\$ 27,077	\$ 63,707	\$ 48,989
Dry-dock activities included in technical services	1,435	1,122	2,766	2,092
Administrative and strategic services	18	18	36	36
Reimbursed expenses	966	797	1,830	1,510
Construction supervision	734	394	1,222	760
Costs incurred with the Manager and parties related thereto				
Consulting services	42	48	84	108
Arrangement fee				1,500

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Notes to Interim Consolidated Financial Statements

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

Three and six months ended June 30, 2011

3. Vessels:

June 30, 2011	Cost	Accumulated depreciation	Net book value
Vessels	\$ 4,395,482	\$ 373,504	\$ 4,021,978
Vessels under construction	526,109		526,109
	\$ 4,921,591	\$ 373,504	\$ 4,548,087

December 31, 2010	Cost	Accumulated depreciation	Net book value
Vessels	\$ 3,502,655	\$ 310,921	\$ 3,191,734
Vessels under construction	1,019,138		1,019,138
	\$ 4,521,793	\$ 310,921	\$ 4,210,872

During the six-month period ended June 30, 2011, the Company capitalized interest costs of \$8,923,000 (for the 12 months ended December 31, 2010 - \$27,871,000) as vessels under construction.

4. Deferred charges:

	Dry-docking	Financing fees	Total
December 31, 2010	\$ 6,212	\$ 31,395	\$ 37,607
Cost incurred	4,565	1,067	5,632
Amortization expensed	(1,046)	(1,651)	(2,697)
Amortization capitalized		(750)	(750)
June 30, 2011	\$ 9,731	\$ 30,061	\$ 39,792

5. Other assets:

June 30, 2011	December 31, 2010
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Prepaid expenses	\$ 9,137	\$ 9,282
Intangible assets	6,780	5,196
Restricted cash (a)	60,000	60,000
Restricted cash (b)		5,000
Other	5,475	2,507
Other assets	\$ 81,392	\$ 81,985

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Notes to Interim Consolidated Financial Statements

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

Three and six months ended June 30, 2011

5. Other assets (continued):

- (a) \$60,000,000 has been placed in a deposit account over which the Lessor (note 7) has a first priority interest.
- (b) In connection with entering into the lease financing arrangement described in note 7, \$5,000,000 is held in escrow until the vessel delivery, to fund any vessel construction cost overruns. At June 30, 2011 these vessels had been delivered therefore the cash is no longer restricted.

6. Long-term debt:

	June 30, 2011	December 31, 2010
Long-term debt:		
\$1.3 billion revolving credit facility	\$ 1,032,745	\$ 1,032,745
\$920.0 million revolving credit facility	720,256	718,723
\$365.0 million revolving credit facility	323,566	323,566
\$218.4 million credit facility	217,661	217,661
\$235.3 million credit facility	104,840	104,076
\$150.0 million revolving credit facility		
\$291.2 million credit facility		
Long-term debt	\$ 2,399,068	\$ 2,396,771

Minimum repayments:

As at June 30, 2011, minimum repayments for the balances outstanding with respect to the credit facilities are as follows:

2011	\$ 8,333
2012	71,579
2013	138,547
2014	252,093
2015	771,545
Thereafter	1,156,971
	\$ 2,399,068

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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.

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Notes to Interim Consolidated Financial Statements

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

Three and six months ended June 30, 2011

7. Other long-term liabilities:

	June 30, 2011	December 31, 2010
Other long-term liability	\$ 634,055	\$ 542,812
Accrued liabilities	600	1,000
Other long-term liabilities	634,655	543,812
Current portion	(33,425)	(19,096)
	\$ 601,230	\$ 524,716

Updated information for the other long-term liability arrangements have enabled the Company to better determine the principal and interest portions of the current period repayments. As a result, the comparative balance sheet has been reclassified to reflect only principal portions of current payments which result in \$12,185,000 being reclassified to the long-term portion of Other long-term liabilities at December 31, 2010.

Other long-term liability:

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 each 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, through the Management Agreements (note 2), 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. No gain or loss is recognized upon initial consolidation of the lessors. The liabilities of the lessor are loans due to the associated financial institutions and are non-recourse to the Company. The amounts funded to the lessors materially match the funding received by the Company's subsidiaries. As a result, the amounts due by the Company's subsidiaries to the lessors have been included in Other Long-term Liabilities as representing the lessor's loans due to the applicable financial institutions.

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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 and six months ended June 30, 2011

7. Other long-term liabilities (continued):

The terms of the leases are as follows:

(i) Leases for five 4500 TEU vessels

The terms of the leases are five years beginning from each vessel's delivery dates.

At the end of each lease term, the remaining balances ranging from \$64,000,000 to \$66,000,000 will be due. At the end of the lease term, the lessee will be appointed sales agent to sell the vessels; the lessee will receive 99.9% of the proceeds from the sale of each vessel and can choose to purchase the vessels.

Under this arrangement, the Company has five capital leases with a subsidiary of a financial institution whose only assets and activities are to hold the Company's leases.

As at June 30, 2011, four vessels (December 31, 2010 - one) of the five have been delivered.

The Company has placed \$60,000,000 in a cash deposit account over which the lessor has a first priority interest.

As of June 30, 2011, the carrying value of the vessels being funded under this facility is \$467,526,000 (December 31, 2010 - \$440,208,000).

(ii) Lease for one 13100 TEU vessel

The term of the lease is 12 years beginning from the vessel's delivery date. The lessor will provide up to \$150,000,000 of financing. Lease payments include an interest component based on three month LIBOR. At the end of the lease term the outstanding balance of up to \$45,000,000 will be due and title of the vessel will transfer to the lessee.

As of June 30, 2011, the carrying value of the vessel being funded under this facility is \$172,325,000 (December 31, 2010 - \$108,988,000). The vessel delivered during the quarter ended June 30, 2011.

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Notes to Interim Consolidated Financial Statements

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

Three and six months ended June 30, 2011

7. Other long-term liabilities (continued):

The terms of the leases are as follows (continued):

(iii) Lease for one 13100 TEU vessel

The term of the lease is 12 years beginning from the vessel's delivery date. The lessor will provide up to \$150,000,000 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.

As of June 30, 2011, the carrying value of the vessel being funded under this facility is \$86,778,000 (December 31, 2010 - \$69,072,000).

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

2011	\$ 21,879
2012	67,464
2013	71,484
2014	71,744
2015	136,155
Thereafter	548,548
	917,274
Less amounts representing:	
Interest	(174,356)
Amounts yet to be funded	(108,863)
	\$ 634,055

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Notes to Interim Consolidated Financial Statements

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

Three and six months ended June 30, 2011

8. Share capital:

(a) Common shares:

The Company has a dividend reinvestment program (DRIP) that allows interested shareholders to reinvest all or a portion of cash dividends received on the Company's common shares. If new common shares are issued by the Company, the reinvestment price is equal to the average price of the Company's common shares for the five days immediately prior to the reinvestment, less a discount. The discount rate is set by the Board of Directors and is currently 3%. If common shares are purchased in the open market, the reinvestment price is equal to the average price per share paid.

The class C common shares are incentive shares that were issued to the Manager for strategic services that are entitled to share in incremental dividends, based on specified sharing ratios, once dividends on the Company's class A common shares reach certain specified targets, beginning with the first target of \$0.485 per share per quarter, and when the Company has an operating surplus sufficient to pay such a dividend. The class C common shares are not convertible to class A common shares. At June 30, 2011, the incentive shares do not have rights to incremental dividends based on the operating surplus calculation of the Company.

(b) Preferred shares:

The Company had the following preferred shares outstanding:

Series	Shares		Liquidation preference	
	authorized	issued	June 30, 2011	December 31, 2010
A	315,000	200,000	\$ 255,959	\$ 241,382
B	260,000	260,000	26,000	26,000
C	40,000,000	14,000,000	350,000	

The Series A preferred shares accrue a 12% non-cash cumulative dividend per annum until January 31, 2014, which may increase to 15% per annum thereafter as described below.

The Series A preferred shares automatically convert to class A common shares at a price of \$15.00 per share (the Exercise Price) at any time on or after January 31, 2014 if the trailing 30 day average trading price of the common shares is equal to or above the Exercise Price.

If at any time on or after January 31, 2014, the trailing average price of the common shares is less than the Exercise Price, the Company has the option to convert the Series A preferred shares at the Exercise Price and pay the Investors 115% of the difference between the Exercise Price and the trailing 30 day average price of the common shares. The Company has the option to pay the difference in common shares or in cash.

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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 and six months ended June 30, 2011

8. Share capital (continued):

(b) Preferred shares (continued):

Upon certain triggering events, such as a liquidation, change of control, or merger, amongst others, the investors have the option to convert, in whole or in part, their Series A preferred shares to common shares at the Exercise Price. Depending on the nature of the triggering event, the liquidation preference of the Series A preferred shares will convert at the Exercise Price, or the liquidation preference will convert at the lower of (i) the Exercise Price; or (ii) the price at which the Series A preferred shares are valued in the transaction giving rise to the triggering event.

If the Series A preferred shares have not converted into common shares on or after January 31, 2014, the dividend rate will increase to 15% per annum. The Investors have the option to have the dividend paid in cash or to continue to increase the liquidation preference of the Series A preferred shares by 15% per annum.

The Series B preferred shares were issued for cash and pay cumulative quarterly dividends in cash at a rate of 5% per annum from their issuance date of May 27, 2010 to June 30, 2012, 8% per annum from July 1, 2012 to June 30, 2013 and 10% per annum thereafter. The Series B preferred shares are redeemable at any time at the option of the Company at an amount equal to the liquidation preference plus unpaid dividends. The Series B preferred shares are not convertible into common shares and are not redeemable at the option of the holder.

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

Three and six months ended June 30, 2011

9. Earnings per share:

To the extent that earnings per share (EPS) for class A common shares exceeds the first target dividend level of \$0.485 per share per quarter, and there is sufficient operating surplus as defined in the Company's Articles of Incorporation, undistributed earnings would be allocated to class C common shares for the purpose of calculating EPS under the two-class method. Otherwise, class C common shares would not participate in earnings. To date, class C common shares have not participated in earnings. Although the EPS for class A common shares have exceeded the first target dividend level of \$0.485 per share per quarter for certain quarters there has not been adequate operating surplus for class C shares to participate in earnings.

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

	Income (numerator)	Shares (denominator)	Per share amount
June 30, 2011			
Net loss	\$ (34,862)		
Less:			
Series A preferred share dividends	(7,435)		
Series B preferred share dividends	(605)		
Series C preferred share dividends	(7,134)		
Basic and diluted EPS ⁽¹⁾ :			
Loss from continuing operations attributable to common shareholders	\$ (50,036)	69,019	\$ (0.72)

For the three months ended

	Income (numerator)	Shares (denominator)	Per share amount
June 30, 2010			
Net loss	\$ (121,842)		
Less:			
Series A preferred share dividends	(6,606)		
Series B preferred share dividends	(218)		
Basic and diluted EPS ⁽¹⁾ :			
Loss from continuing operations attributable to common shareholders	\$ (128,666)	68,090	\$ (1.89)

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Notes to Interim Consolidated Financial Statements

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

Three and six months ended June 30, 2011

9. Earnings per share (continued):**For the six months ended**

	Income	Shares	Per
June 30, 2011	(numerator)	(denominator)	share
			amount
Net earnings	\$ 15,690		
Less:			
Series A preferred share dividends	(14,577)		
Series B preferred share dividends	(1,196)		
Series C preferred share dividends	(11,548)		
Basic and diluted EPS ⁽¹⁾ :			
Loss from continuing operations attributable to common shareholders	\$ (11,631)	68,937	\$ (0.17)

For the six months ended

	Income	Shares	Per share
June 30, 2010	(numerator)	(denominator)	amount
Net loss	\$ (158,458)		
Less:			
Series A preferred share dividends	(12,952)		
Series B preferred share dividends	(218)		
Basic and diluted EPS ⁽¹⁾ :			
Loss from continuing operations attributable to common shareholders	\$ (171,628)	68,012	\$ (2.52)

⁽¹⁾ The convertible Series A preferred shares and share-based payments are not included in the computation of diluted EPS because their effects are anti-dilutive for the period.

10. 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 (December 31, 2010 1,000,000) 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.

Class A common shares are issued 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.

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

Three and six months ended June 30, 2011

10. Share-based compensation (continued):

A summary of the Company's outstanding restricted shares and phantom share units as of and for the six months ended June 30, 2011 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, 2010	45,904	\$ 10.06	344,000	\$ 11.22
Granted	43,200	13.04	190,000	15.43
Vested	(45,904)	10.06		
June 30, 2011	43,200	\$ 13.04	534,000	\$ 12.72

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 June 30, 2011, 167,000 (December 31, 2010 - 49,000) of the outstanding phantom share units were vested and available for exchange by the holder.

During the three and six months ended June 30, 2011, the Company recognized a total of \$490,000 and \$877,000 (June 30, 2010 - \$727,000 and \$1,274,000) in share-based compensation expenses. During the six months ended June 30, 2011, the total fair value of shares vested was \$462,000 (December 31, 2010 - \$542,000). As at June 30, 2011, there was \$3,886,000 (December 31, 2010 - \$1,663,000) 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 20 months.

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

Three and six months ended June 30, 2011

11. Other information:

(a) Accounts payable and accrued liabilities:

The principal components of accounts payable and accrued liabilities are:

	June 30, 2011	December 31, 2010
Due to related parties (note 2)	\$ 2,748	\$ 1,450
Accrued interest	14,758	14,205
Other accrued liabilities	17,907	12,739
	\$ 35,413	\$ 28,394

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

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Interest paid on debt	\$ 7,610	\$ 2,697	\$ 11,576	\$ 4,764
Interest received	132	6	254	36
Undrawn credit facility fee paid	585	624	1,077	1,242
Non-cash transactions:				
Dividends on Series A preferred shares	7,435	6,606	14,577	12,952
Dividend reinvestment	3,527	1,641	5,857	3,277
Other long-term liabilities for vessels under construction	83,293	6,277	99,400	69,333

12. Commitments and contingent obligations:

(a) As at June 30, 2011, based on the contractual delivery dates, the Company has outstanding commitments for the purchase of additional vessels and installment payments for vessels under construction, including payments to be made on the Company's behalf as described in note 7, as follows:

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2011	\$ 289,477
2012	338,068
2013	60,440
2014	209,440
	\$ 897,425

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Notes to Interim Consolidated Financial Statements

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

Three and six months ended June 30, 2011

12. Commitments and contingent obligations (continued):

- (b) As at June 30, 2011, based on 100% utilization, the minimum future revenues to be received on committed time charter party agreements are approximately:

2011	\$ 311,796
2012	675,625
2013	652,230
2014	672,998
2015	673,274
Thereafter	3,722,744
	\$ 6,708,667

- (c) Under the Management Agreements, the Manager provides services to the Company for fixed fees. Based on the contractual delivery dates of the vessels under construction and the negotiated rates in the Management Agreements and for the vessels to be delivered but are not yet subject to management agreements, the fixed payments to the Manager for technical services, construction supervision services, and administrative and strategic services are as follows:

2011	\$ 73,646
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13. Financial instruments:

- (a) Concentrations:

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

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
CSC Asia	\$ 40,249	\$ 39,412	\$ 79,932	\$ 77,179
COSCON	35,109	15,724	62,019	20,088

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HL USA	14,111	14,738	27,853	29,318
K-Line	14,500	2,181	25,233	2,593
MOL	10,512	10,512	20,909	20,707
Other	19,191	14,978	38,721	28,029
	\$ 133,672	\$ 97,545	\$ 254,667	\$ 177,914

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SEASPAN CORPORATION

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

Three and six months ended June 30, 2011

13. Financial instruments (continued):

(b) 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 June 30, 2011, the fair value of the Company's long-term debt is equal to \$2,049,554,000 (December 31, 2010 - \$2,043,859,000). As of June 30, 2011, the fair value of the Company's other long-term liabilities is equal to \$619,024,000. The fair value of long-term debt and other long-term liability 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 remeasured 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.

(c) 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 will be recognized in earnings when and where the related interest is recognized in earnings.

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Three and six months ended June 30, 2011

13. Financial instruments (continued):

(c) 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 all instruments were in favour of counterparties at June 30, 2011, the risk of credit loss related to these counterparties is considered to be immaterial at June 30, 2011.

As of June 30, 2011, the Company had the following outstanding interest rate derivatives:

Fixed per annum rate swapped for LIBOR	Notional amount as at June 30, 2011	Maximum notional amount ⁽¹⁾	Effective date	Ending date
5.6400%	\$ 714,500	\$ 714,500	August 31, 2007	August 31, 2017 ⁽³⁾
4.6325%	663,399	663,399	September 15, 2005	July 16, 2012 ⁽²⁾
5.4200%	438,462	438,462	September 6, 2007	May 31, 2024
5.6000%	200,000	200,000	June 23, 2010	December 23, 2021 ⁽²⁾
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 ⁽⁴⁾⁽²⁾
5.2000%	96,000	96,000	December 18, 2006	October 2, 2015
5.5150%	59,700	59,700	February 28, 2007	July 31, 2012 ⁽²⁾
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 during the term of the swap.

⁽²⁾ Prospectively de-designated as an accounting hedge on September 30, 2008.

⁽³⁾ Prospectively de-designated as an accounting hedge on January 31, 2008.

⁽⁴⁾ 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

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Company's 5.26% pay fixed LIBOR swap from February 28, 2014 to February 26, 2021.

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

Three and six months ended June 30, 2011

13. Financial instruments (continued):

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

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

Fair value of liability derivatives:

	June 30, 2011	December 31, 2010
Fair value of financial instruments	\$ 426,065	\$ 407,819

Gain (loss) recognized in income on derivatives:

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Change in fair value of financial instruments	\$ (84,747)	\$ (157,668)	\$ (78,945)	\$ (223,159)

Gain (loss) reclassified from AOCI into income ⁽¹⁾:

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Interest expense	\$ (2,901)	\$ (3,294)	\$ (6,186)	\$ (5,924)
Depreciation	(102)	(67)	(193)	(118)

⁽¹⁾ The effective portion of changes in unrealized loss on interest rate swaps was recorded in accumulated other comprehensive income until September 30, 2008 when these contracts were de-designated as accounting hedges. The amounts in accumulated other comprehensive income will be recognized in earnings when and where the previously hedged interest is recognized in earnings.

The estimated amount of accumulated other comprehensive income expected to be reclassified into earnings within the next 12 months is \$9,544,000.

14. Subsequent events:

- (a) On March 14, 2011 the Company entered into an agreement to participate in Greater China Intermodal Investments LLC, (the Vehicle), an investment vehicle established by an affiliate of The Carlyle Group. The Vehicle will invest up to \$900,000,000 equity capital in containership assets strategic to the People s Republic of China, Taiwan, Hong Kong and Macau. The Company agreed to make a minority investment in the Vehicle of up to \$100,000,000 during the investment period, which is anticipated to be up to five years. On July 7, 2011, the Vehicle issued a capital call requiring the Company to make its pro-rata capital contribution of \$2,904,000 on July 20, 2011 for the first installment related to the purchase of two vessels, working capital obligations, organizational expenses and financial advisory fees.

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- (b) On July 19, 2011 the Company declared a quarterly dividend of \$0.600347 per Series C preferred share, representing a distribution of \$8,405,000. The dividend was paid on August 1, 2011 to all shareholders of record as July 29, 2011.
- (c) On July 21, 2011 the Company declared a second quarter dividend of \$0.1875 per Class A common share, representing a distribution of \$12,940,000. The dividend is payable on August 22, 2011 to all shareholders of record on August 15, 2011.
- (d) On August 1, 2011, the Company accepted delivery of the Budapest Bridge from Samsung Heavy Industries Co., Ltd.

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

Overview

We are Seaspan Corporation, a Marshall Islands corporation that was incorporated on May 3, 2005. We are a leading independent charter owner of containerships, which we charter primarily pursuant to long-term, fixed-rate time charters. We seek additional accretive vessel acquisitions as market conditions allow. We primarily deploy our vessels on long-term, fixed-rate time charters to take advantage of the stable cash flows and high utilization rates that are typically associated with long-term time charters.

As of June 30, 2011, we owned a fleet of 62 containerships (including five leased vessels) and had entered into contracts for the purchase of an additional eight containerships and contracts to lease an additional two containerships. The average age of the 62 vessels in our fleet was approximately five years as of June 30, 2011. Our customer selection process is targeted at well-established container liner companies that charter-in vessels on a long-term basis as part of their fleet expansion strategy. Customers for our current fleet are CSCL Asia, HL USA, APM, COSCON, CSAV, MOL, K-Line, and UASC. Customers for the additional 10 newbuilding vessels will include K-Line, COSCON and Hanjin. Please read *Our Fleet* for more information. 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

Newbuilding Order and New Customer

In June 2011, we entered into contracts for the construction of three 10000 TEU newbuilding containerships with New Jiangsu and Jiangsu Xinfu pursuant to our right of first refusal agreement with Greater China Intermodal Investments LLC, or the Vehicle, an investment vehicle established by an affiliate of global alternative asset manager, The Carlyle Group, or Carlyle, in which we hold an 11% ownership interest. For more information about our arrangement with the Vehicle, please read *Investment in Carlyle Containership-Focused Investment Vehicle*. The vessels will be constructed using our fuel efficient New Panamax SAVER design and will be chartered under ten-year, fixed-rate time charters with Hanjin. Hanjin is the largest Korean-based liner company and a new addition to our high-quality customer portfolio. After the initial ten-year charter periods, Hanjin will have options to recharter each ship for an additional two years. The three vessels acquired by us are scheduled for delivery in 2014. We have options to purchase an additional 18 similar newbuilding vessels, which also will be subject to our right of first refusal agreement with the Vehicle. The conflicts committee of our board of directors approved the allocation of the vessels between us and the Vehicle and our acquisition of the three vessels.

Our Series C Preferred Share Offerings

In January 2011, we issued 10 million shares of our 9.5% Series C Cumulative Redeemable Perpetual Preferred Stock, or Series C Preferred Shares, at a price of \$25.00 per share, for net proceeds of \$241.3 million. In May 2011, we issued an additional four million Series C Preferred Shares, at a price of \$27.15 per share, for net proceeds of \$105.2 million, which included accrued dividends to May 25, 2011 of \$0.15 per share. In the May 2011 offering, the Series C Preferred Shares were sold at a \$2.00 premium per share over the stated liquidation preference of \$25 per share. Dividends are payable on the Series C Preferred Shares at an initial rate of 9.5% per annum of the stated liquidation preference. We intend to use the net proceeds from these offerings for general corporate purposes, including funding the construction of our three new 10000 TEU containerships.

Table of Contents*Delivery of Seven New Vessels*

During the period we accepted delivery of seven vessels, bringing our fleet to a total of 62 vessels as at June 30, 2011. The vessel deliveries are summarized as below:

Vessel	Vessel Class (TEU)	Length of Time Charter	Charterer	Delivery Date
Brevik Bridge	4500	12 years + two 3-year options	K-Line	January 2011
Bilbao Bridge	4500	12 years + two 3-year options	K-Line	January 2011
COSCO Prince Rupert	8500	12 years + three 1-year options	COSCON	March 2011
COSCO Vietnam	8500	12 years + three 1-year options	COSCON	April 2011
Berlin Bridge	4500	12 years + two 3-year options	K-Line	May 2011
COSCO Glory	13100	12 years	COSCON	June 2011
COSCO Pride	13100	12 years	COSCON	June 2011

Extension of Time Charter

In March 2011, CSCL Asia exercised its option to extend the long-term time charter for the CSCL Chiwan, upon conclusion of its initial 10-year term. We are currently chartering the vessel to CSCL Asia at a rate of \$18,300 per day and the rate for the option period increases to \$19,000 per day beginning September 2011, for a term that expires in September 2013. In May 2011, APM exercised its first one-year option to extend the time charters on the Maersk Merritt and Victor upon conclusion of its initial five-year term. We are currently chartering the vessels to APM at a rate of \$23,450 per day, and the rate for the first option period is \$22,400 per day beginning in November 2011, for a term that expires in November 2012. In June 2011, APM did not exercise its first one-year options to extend the time charters for the York and Maersk Moncton. These vessels will be re-delivered to us between the end of September 2011 and March 2012. The Company plans to re-charter the vessels subject to market conditions.

Investment in Carlyle Containership-Focused Investment Vehicle

In March 2011, we agreed to participate in the Vehicle, which will invest up to \$900 million of equity capital in containership assets, primarily newbuilding vessels strategic to the People's Republic of China, Taiwan, Hong Kong and Macau. The amount of equity capital will be reduced to the extent that the Carlyle affiliate member of the Vehicle separately invests in non-containership assets. We believe that the combination of our expertise and relationships in the containership market and Carlyle's financial resources, global business network and access to capital will enhance our ability to take advantage of growth opportunities in the containership market.

There currently exists significant excess capacity in Asian shipyards, and we believe that, as a result of this excess capacity, in the near term shipyards are willing to provide pricing and design concessions for large newbuilding construction orders. The size of these orders likely exceeds the size of orders we would be able or willing to make on our own. As a result, we view our participation in the Vehicle, and especially the right of first refusal we will have on certain containership investment opportunities available to the Vehicle, as a means of selectively and cost-effectively expanding our fleet. We believe that the combined scale of our business and the Vehicle will allow us to realize volume discounts for newbuilding orders, negotiate design improvements from shipyards and obtain more attractive vessel financing than we would otherwise be able to achieve on our own, thereby creating a competitive advantage for us.

The members of the Vehicle are (i) Seaspan Investment I Ltd., a subsidiary of us, (ii) Blue Water Commerce, LLC, an affiliate of Dennis R. Washington, (iii) Tiger Management Limited, an entity owned and controlled by our director Graham Porter, and (iv) Greater China Industrial Investments LLC (a limited liability company owned by affiliates of Carlyle and Tiger Management Limited).

For additional information about the transactions and agreements relating to our investment in the Vehicle, including our right of first refusal, please read Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Agreements Related to Our Investment in Carlyle Containership-Focused Investment Vehicle, Certain Relationships and Transactions, Omnibus Agreement, Employment Agreement and Other Related Agreements with Gerry Wang, and Financial Services Agreement with Tiger Ventures Limited in our 2010 Annual Report.

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New Employment Agreement and Other Related Agreements with Gerry Wang

Mr. Wang has served as our chief executive officer and the chief executive officer of our Manager pursuant to an employment agreement with our Manager. In March 2011, in connection with our investment in the Vehicle, Mr. Wang's agreement with our Manager was amended and restated and we entered an employment agreement and a transaction services agreement with Mr. Wang. Pursuant to our employment agreement with Mr. Wang, which became effective on January 1, 2011, he will continue to serve as our chief executive officer through January 1, 2013. The transaction services agreement will become effective following termination of Mr. Wang's employment with us. For more information, please read Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Employment Agreement and Other Related Agreements with Gerry Wang in our 2010 Annual Report.

Dividend Increase and New Dividend Policy

In February 2011, our board of directors adopted a progressive dividend policy aimed at sustainably increasing our dividends in a manner that preserves our long-term financial strength and our ability to expand our fleet. We expect this policy to increase dividends paid to holders of our Class A common shares, while continuing to permit us to pursue our growth strategy. Our board expects to declare aggregate dividends of \$0.75 per Class A common share for the four quarters ended December 31, 2011. For the first quarter of 2011, our board of directors declared a dividend of \$0.1875 per share that was paid on May 23, 2011 to all shareholders of record as of May 14, 2011. This represents a 50.0% increase over the dividend paid for the fourth quarter of 2010 and an 87.5% increase over the dividends paid for the first quarter of 2010. Regardless of our dividend policy, declaration and payment of any dividend is subject to the discretion of our board of directors. For more information, please read Item 8. Financial Information A. Financial Statements and Other Financial Information Dividend Policy in our 2010 Annual Report.

Recent Developments

Subsequent Vessel Delivery

On August 1, 2011, we accepted delivery of the Budapest Bridge, a 4500 TEU vessel chartered by K-Line under a 12-year, fixed-rate time charter contract, with options to extend the contract terms up to an additional six years.

Dividend Payment

On August 1, 2011, we paid a quarterly dividend of \$0.600347 per share on our 9.5% Series C preferred shares, representing a distribution of \$8.4 million. The dividend was paid to all 9.5% Series C preferred shareholders of record as of July 29, 2011 for the period from April 30, 2011 to July 29, 2011.

Certain Potential Transactions

The discussion of the following potential transaction is prospective and is intended to benefit from the protections described in the discussion regarding forward-looking statements in this Report. The potential transaction described below may not be completed, and the terms of the transaction, if completed, may differ materially from those described below.

Potential Non-Recourse Loan Facility Transaction

We are negotiating a transaction that would involve one of our subsidiaries entering 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 million relating to one of our 13100 TEU newbuilding vessels. The vessel is being constructed by HHI and is currently financed with up to \$75 million under one of our

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revolving credit facilities. Upon delivery of the vessel and through an inter-company operating charter with our subsidiary, we will still 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 would be non-recourse to Seaspan Corporation.

Potential Acquisition of Seaspan Management Services Limited and Change in Management Fees

Our Manager and certain of its subsidiaries provide us with all of our technical, administrative and strategic services, together with all of our employees, other than our chief executive officer. We have discussed with our Manager our potential acquisition of all or a portion of our Manager.

We believe any such acquisition of our Manager would increase our control over access to the services our Manager provides on a long-term basis. Additionally, based on the technical management fees and additional fees under the management agreement between our Manager and the Vehicle and disclosure by other public containership companies and third-party management companies, the owners of our Manager have proposed increases in existing technical management fees and the inclusion of additional fees under the management agreements, which they believe reflect current market practice. Under the management agreements, the fees for the technical services are scheduled for renegotiation in December 2011. The conflicts committee of our board of directors is evaluating these proposals with the assistance of financial and legal advisors.

For additional information about the agreements with our Manager that govern the services provided to us, please read Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Our Management Agreements in our 2010 Annual Report.

Our Fleet*Our Current Fleet*

The following table summarizes key facts regarding our 62 vessels as of June 30, 2011:

Vessel Name	Vessel Class (TEU)	Year Built	Charter Start Date	Charterer	Length of Time Charter	Daily Charter Rate (in thousands)
COSCO Glory	13100	2011	6/10/2011	COSCON	12 years	\$ 55.0
COSCO Pride ⁽⁷⁾	13100	2011	6/29/2011	COSCON	12 years	55.0
CSCL Zeebrugge	9600	2007	3/15/07	CSCL Asia	12 years	34.0 ⁽¹⁾
CSCL Long Beach	9600	2007	7/6/07	CSCL Asia	12 years	34.0 ⁽¹⁾
CSCL Oceania	8500	2004	12/4/04	CSCL Asia	12 years + one 3-year option	29.8 ⁽²⁾
CSCL Africa	8500	2005	1/24/05	CSCL Asia	12 years + one 3-year option	29.8 ⁽²⁾
COSCO Japan	8500	2010	3/9/10	COSCON	12 years + three 1-year options	42.9 ⁽³⁾
COSCO Korea	8500	2010	4/5/10	COSCON	12 years + three 1-year options	42.9 ⁽³⁾
COSCO Philippines	8500	2010	4/24/10	COSCON	12 years + three 1-year options	42.9 ⁽³⁾
COSCO Malaysia	8500	2010	5/19/10	COSCON	12 years + three 1-year options	42.9 ⁽³⁾
COSCO Indonesia	8500	2010	7/5/10	COSCON	12 years + three 1-year options	42.9 ⁽³⁾
COSCO Thailand	8500	2010	10/20/10	COSCON	12 years + three 1-year options	42.9 ⁽³⁾
COSCO Prince Rupert	8500	2011	3/21/11	COSCON	12 years + three 1-year options	42.9 ⁽³⁾
COSCO Vietnam	8500	2011	4/21/2011	COSCON	12 years + three 1-year options	42.9 ⁽³⁾
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
Maersk Merritt ⁽⁴⁾	4800	1989	11/6/06	APM	5 years + two 1-year options + one 2-year option	23.5 ⁽⁵⁾
Victor	4800	1988	11/20/06	APM	5 years + two 1-year options + one 2-year option	23.5 ⁽⁵⁾
York	4800	1989	12/6/06	APM	5 years + two 1-year options + one 2-year option	23.5 ⁽⁵⁾
Maersk Moncton ⁽⁶⁾	4800	1989	12/22/06	APM	5 years + two 1-year options + one 2-year option	23.5 ⁽⁵⁾
Brotonne Bridge ⁽⁷⁾	4500	2010	10/25/10	K-Line	12 years + two 3-year options	34.3 ⁽⁸⁾

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Brevik Bridge ⁽⁷⁾	4500	2011	1/25/11	K-Line	12 years + two 3-year options	34.3 ⁽⁸⁾
Bilbao Bridge ⁽⁷⁾	4500	2011	1/28/11	K-Line	12 years + two 3-year options	34.3 ⁽⁸⁾
Berlin Bridge ⁽⁷⁾	4500	2011	5/9/2011	K-Line	12 years + two 3-year options	34.3 ⁽⁸⁾
CSAV Licanten ⁽⁹⁾	4250	2001	7/3/01	CSCL Asia	10 years + one 2-year option	18.3 ⁽¹⁰⁾
CSCL Chiwan	4250	2001	9/20/01	CSCL Asia	10 years + one 2-year option	18.3 ⁽¹⁰⁾
CSCL Ningbo	4250	2002	6/15/02	CSCL Asia	10 years + one 2-year option	19.7 ⁽¹¹⁾
CSCL Dalian	4250	2002	9/4/02	CSCL Asia	10 years + one 2-year option	19.7 ⁽¹¹⁾
CSCL Felixstowe	4250	2002	10/15/02	CSCL Asia	10 years + one 2-year option	19.7 ⁽¹¹⁾
CSCL Vancouver	4250	2005	2/16/05	CSCL Asia	12 years	17.0
CSCL Sydney	4250	2005	4/19/05	CSCL Asia	12 years	17.0
CSCL New York	4250	2005	5/26/05	CSCL Asia	12 years	17.0
CSCL Melbourne	4250	2005	8/17/05	CSCL Asia	12 years	17.0

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Vessel Name	Vessel			Charter Start Date	Charterer	Length of Time Charter	Daily Charter Rate (in thousands)
	Class (TEU)	Year Built	Year				
CSCL Brisbane	4250	2005	9/15/05	CSCL Asia	12 years	17.0	
New Delhi Express	4250	2005	10/19/05	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹²⁾	18.0 ⁽¹³⁾	
Dubai Express	4250	2006	1/3/06	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹²⁾	18.0 ⁽¹³⁾	
Jakarta Express	4250	2006	2/21/06	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹²⁾	18.0 ⁽¹³⁾	
Saigon Express	4250	2006	4/6/06	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹²⁾	18.0 ⁽¹³⁾	
Lahore Express	4250	2006	7/11/06	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹²⁾	18.0 ⁽¹³⁾	
Rio Grande Express	4250	2006	10/20/06	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹²⁾	18.0 ⁽¹³⁾	
Santos Express	4250	2006	11/13/06	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹²⁾	18.0 ⁽¹³⁾	
Rio de Janeiro Express	4250	2007	3/28/07	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹²⁾	18.0 ⁽¹³⁾	
Manila Express	4250	2007	5/23/07	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹²⁾	18.0 ⁽¹³⁾	
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 ⁽¹⁴⁾	
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 ⁽¹⁵⁾	
CSCL São Paulo	2500	2008	8/11/08	CSCL Asia	12 years	16.8 ⁽¹⁵⁾	
CSCL Montevideo	2500	2008	9/6/08	CSCL Asia	12 years	16.8 ⁽¹⁵⁾	
CSCL Lima	2500	2008	10/15/08	CSCL Asia	12 years	16.8 ⁽¹⁵⁾	
CSCL Santiago	2500	2008	11/8/08	CSCL Asia	12 years	16.8 ⁽¹⁵⁾	
CSCL San Jose	2500	2008	12/1/08	CSCL Asia	12 years	16.8 ⁽¹⁵⁾	
CSCL Callao	2500	2009	4/10/09	CSCL Asia	12 years	16.8 ⁽¹⁵⁾	
CSCL Manzanillo	2500	2009	9/21/09	CSCL Asia	12 years	16.8 ⁽¹⁵⁾	
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) 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.
- (2) 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.
- (3) 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.
- (4) The name of the MSC Sweden was changed to Maersk Merritt in May 2010 in connection with the termination of a sub-charter from APM to Mediterranean Shipping Company S.A.
- (5) APM has an initial charter of five years at \$23,450 per day, two consecutive one-year options to charter the vessel at \$22,400 and \$21,400 per day, respectively, and a final two-year option to charter the vessel at \$20,400 per day. APM has exercised its first one-year options on the Maersk Merritt and Victor, however has not exercised its options for Maersk Moncton and York.
- (6) The name of the MSC Ancona was changed to Maersk Moncton in August 2010 in connection with the termination of a sub-charter of the vessel from APM to Mediterranean Shipping Company S.A.
- (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 to CSAV.

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- (10) CSCL Asia has an initial charter of ten 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 option on the CSAV Licanten and the CSCL Chiwan.
- (11) CSCL Asia has an initial charter of ten 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.
- (12) 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.
- (13) HL USA had an initial charter of three years that automatically extends for up to an additional seven years with a charter rate of \$18,000 per day, and \$18,500 per day for the two one-year options.
- (14) 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.
- (15) 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.

During 2008, in accordance with the terms of the management agreement, we negotiated with the Manager and agreed to fixed fees for technical services provided for our vessels ranging from \$5,118 to \$8,336, depending on vessel size, for the three-year period commencing January 1, 2009.

As of June 30, 2011, we had contracted to purchase eight additional containerships and to lease an additional two, all of which were then currently or will be under construction, and have scheduled delivery dates through July 2014. One of those vessels was subsequently delivered in August 2011.

As of June 30, 2011, the eight newbuilding containerships that we had contracted to purchase and the two that we had contracted to lease consisted of the following vessels:

Vessel	Vessel Class (TEU)	Length of Time Charter ⁽¹⁾	Charterer	Scheduled Delivery Date	Shipbuilder
Hull No. S452	13100	12 years	COSCON	2012	HSHI
Hull No. S453	13100	12 years	COSCON	2011	HSHI
Hull No. 2178	13100	12 years	COSCON	2012	HHI
Hull No. S454	13100	12 years	COSCON	2012	HSHI
Hull No. 2179	13100	12 years	COSCON	2011	HHI
Hull No. 2180 ⁽²⁾	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
Budapest Bridge ^(2,3)	4500	12 years + two 3-year options	K-Line	2011	Samsung

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

(2) This vessel is leased pursuant to a lease agreement, which we used to finance the acquisition of the vessel.

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(3) We accepted delivery of Budapest Bridge on August 1, 2011.

The following chart details the estimated number of vessels in our fleet based on scheduled delivery dates and existing newbuilding contracts as of June 30, 2011:

	Quarter ended		Forecasted		
	June 30, 2011	2011	2012	2013	2014
Deliveries	4	3	4		3
Operating Vessels	62	65	69	69	72
Total Capacity (TEU)	322,000	352,700	405,100	405,100	435,100

Three and Six Months Ended June 30, 2011 Compared with Three and Six Months Ended June 30, 2010

The following is a discussion of our financial condition and results of operations for the three and six months ended June 30, 2011 and 2010.

The following provides information about our fleet as of June 30, 2011:

Number of vessels in operation	62
Average age of fleet in years	4.6
TEU capacity	322,000
Average remaining initial term on outstanding charters	7.1

We accepted delivery of 13 vessels during the year ended December 31, 2010. We began 2011 with 55 vessels in operation and through June 30, 2011 accepted delivery of seven vessels, bringing our fleet to a total of 62 vessels in operation as at June 30, 2011. Operating days are the primary driver of revenue, while ownership days are the primary driver for ship operating costs.

	Three Months Ended				Six Months Ended			
	June 30,		Increase		June 30,		Increase	
	2011	2010	Days	%	2011	2010	Days	%
Operating days	5,360	4,344	1,016	23.4%	10,392	8,141	2,251	27.7%
Ownership days	5,421	4,390	1,031	23.5%	10,508	8,298	2,210	26.6%

The following tables summarize vessel utilization and the impact of off-hire time incurred on our revenues for the three and six months ended June 30, 2011:

	First Quarter		Second Quarter		Year to Date	
	2011	2010	2011	2010	2011	2010
Vessel Utilization:						
Ownership						
Days	5,087	3,908	5,421	4,390	10,508	8,298
Less Off-hire Days:						
Scheduled 5-Year Survey	(53)	(20)	(58)	(42)	(111)	(62)
Unscheduled Off-hire	(2)	(91)	(3)	(4)	(5)	(95)
Operating Days	5,032	3,797	5,360	4,344	10,392	8,141
Vessel Utilization	98.9%	97.2%	98.9%	99.0%	98.9%	98.1%

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	First Quarter		Second Quarter		Year to Date	
	2011	2010	2011	2010	2011	2010
Revenue Impact of Off- Hire (in thousands):						
100% Utilization	\$ 121,983	\$ 82,378	\$ 134,902	\$ 98,360	\$ 256,885	\$ 180,738
Less Off-hire:						
Scheduled 5-Year Survey	(955)	(347)	(1,173)	(738)	(2,128)	(1,085)
Unscheduled Off-hire ⁽¹⁾	(33)	(1,662)	(57)	(77)	(90)	(1,739)
Actual Revenue Earned	\$ 120,995	\$ 80,369	\$ 133,672	\$ 97,545	\$ 254,667	\$ 177,914

⁽¹⁾ Includes charterer deductions that are not related to off-hire.

The following table summarizes our consolidated financial results for the three and six months ended June 30, 2011 and 2010:

Financial Summary (in millions)	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
	2011	2010	\$	%	2011	2010	\$	%
Revenue	\$ 133.7	\$ 97.5	\$ 36.1	37.0%	\$ 254.7	\$ 177.9	\$ 76.8	43.1%
Ship operating expense	32.8	26.6	6.2	23.4%	63.9	49.0	14.8	30.3%
Depreciation	32.8	24.1	8.8	36.4%	62.8	44.4	18.4	41.5%
General and administrative expenses	5.0	2.4	2.6	107.6%	7.7	4.3	3.4	79.3%
Interest expense	10.7	6.9	3.7	53.9%	20.8	12.0	8.8	73.7%
Change in fair value of financial instruments loss	84.7	157.7	(72.9)	(46.2%)	78.9	223.2	(144.2)	(64.6%)
<i>Revenue</i>								

The increase in operating days and the dollar impact thereof, for the three and six months ended June 30, 2011 was due to the following:

	Three Months Ended		Six Months Ended	
	June 30, 2011		June 30, 2011	
	Operating Days impact	\$ impact (in millions)	Operating Days impact	\$ impact (in millions)
2011 vessel deliveries	416	\$ 16.3	553	\$ 21.2
Full period contribution for 2010 vessel deliveries	615	20.1	1,657	54.9
Change in rate		0.1		0.1
Scheduled off-hire	(16)	(0.4)	(49)	(1.0)
Unscheduled off-hire	1		90	1.6
Total	1,016	\$ 36.1	2,251	\$ 76.8

Vessel utilization was 98.9% for both the three and six months ended June 30, 2011 compared to 99.0% and 98.1% for each of the comparable periods in the prior year.

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The increase in vessel utilization for the six months ended June 30, 2011 was primarily due to the 90 days of unscheduled off-hire resulting from the grounding of the CSAV Licanten (formerly the CSCL Hamburg) in the Gulf of Aqaba on December 31, 2009. During the six months ended June 30, 2010 four dry-dockings were completed, which resulted in 62 days of scheduled off-hire for the following vessels:

Vessel	Commenced
CSCL Vancouver	Q1
CSAV Licanten ⁽¹⁾	Q2
CSCL Sydney	Q2
CSCL New York	Q2

⁽¹⁾ CSAV Licanten's next dry-docking was originally scheduled for 2013, however we combined the repairs of the CSAV Licanten with an earlier dry-docking which defers the next scheduled dry-docking to 2015.

During the six months ended June 30, 2011 we completed seven dry-dockings which resulted in a total of 111 days of scheduled off-hire for the following vessels:

Vessel	Commenced
CSCL Sao Paulo ⁽¹⁾	Q1
Jakarta Express	Q1
Saigon Express	Q1
Rio Grande Express	Q1
Lahore Express	Q2
Santos Express	Q2
Victor	Q2

⁽¹⁾ CSCL Sao Paulo's next dry-docking was originally scheduled for 2013; however, we combined the scheduled dry-docking for this vessel with repairs initiated in December 2010 to achieve savings and defer the next scheduled dry-docking to 2016.

Our cumulative vessel utilization since its initial public offering in August 2005 is 99.1%.

Ship Operating Expense

The increase in ownership days, and the dollar impact thereof, for the three and six months ended June 30, 2011 was due to the following:

	Three Months Ended June 30, 2011		Six Months Ended June 30, 2011	
	Ownership Days impact	\$ impact (in millions)	Ownership Days impact	\$ impact (in millions)
2011 vessel deliveries	416	\$ 2.9	553	\$ 3.8
Full period contribution for 2010 vessel deliveries	615	3.7	1,657	10.2
Changes in extraordinary ⁽¹⁾ costs & expenses not covered by the fixed fee		(0.4)		0.8
Total	1,031	\$ 6.2	2,210	\$ 14.8

⁽¹⁾

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Extraordinary costs and expenses are defined in our management agreements and do not relate to extraordinary items as defined by financial reporting standards.

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Extraordinary costs and expenses not covered by the fixed compared to the fixed technical management fee were 3.6% and 4.6% of total expenses for the three and six months ended June 30, 2011, as compared to 6.2% and 4.4% for the comparable periods in the prior year. The decrease in the three months ended June 30, 2011 is mainly attributable to the bunkers consumed during off-hire for the CSAV Licanten in 2010.

Depreciation

The increases in depreciation expense for the three and six months ended June 30, 2011 compared to the corresponding periods of the prior year were due to the additional ownership days from the seven vessel deliveries in 2011 and a full period of ownership for the 13 deliveries in 2010.

General and Administrative Expenses

The increases in general and administrative expenses for the three and six months ended June 30, 2011 compared to the corresponding periods of the prior year were primarily due to the new employment agreement with our chief executive officer (which has an effective date of January 1, 2011), additional fees paid to our board of directors for an increased number of meetings and increased legal costs to support growth transactions.

Interest Expense

Interest expense is comprised of interest at the variable rate plus the applicable margin incurred on debt for operating vessels and a reclassification of amounts from accumulated other comprehensive income related to previously designated hedging relationships. The increases in interest expense for the three and six months ended June 30, 2011, compared to the comparable periods of the prior year were primarily due to higher average operating debt balances compared to the corresponding period of the prior year. The average LIBOR for the three and six months ended June 30, 2011 was 0.4%, compared to 0.3% for both of the comparable periods of the prior year. Although we have entered into fixed interest rate swaps, 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 \$84.7 million for the three months ended June 30, 2011, compared to a loss of \$157.7 million for the comparable quarter last year. The change in fair value of financial instruments resulted in a loss of \$78.9 million for the six months ended June 30, 2011, compared to a loss of \$223.2 million for the comparable period last year. The decreases in change in fair value for the three and six months ended June 30, 2011 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.

Liquidity and Capital Resources

Liquidity

As of June 30, 2011, our cash and cash equivalents totaled \$152.8 million, and we had approximately \$0.9 billion available under our credit and lease facilities. Our primary operating liquidity needs include payments under our management agreement and payment of our quarterly dividends. Our other liquidity needs primarily relate to the purchase of the containerships we have contracted to purchase, debt repayment, any new or future vessel

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acquisitions 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 facilities, new credit facilities, new leases, additional equity offerings as well as our cash from operations, while our long-term sources of funds will be from cash from operations and/or debt and equity financings.

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A summary of our credit and lease facilities as of June 30, 2011 is as follows:

Name	Amount Outstanding (millions)	Amount Committed (millions)	Amount Available (millions)
\$1.3 billion credit facility ⁽¹⁾	\$ 1,032.7	\$ 1,300.0	\$
\$920.0 million revolving credit facility	720.3	920.0	199.7
\$365.0 million revolving credit facility Tranche A	65.0	68.8	3.8
\$365.0 million revolving credit facility Tranche B	258.6	264.6	6.0
\$291.2 million credit facility		291.2	291.2
\$235.3 million credit facility	104.8	235.3	130.5
\$218.4 million credit facility	217.7	217.7	
\$150.0 million credit facility		150.0	150.0
	2,399.1 ⁽²⁾	3,447.6	781.2
\$400.0 million lease (limited recourse to Seaspan Corporation) ⁽³⁾	400.0	400.0	
\$150.0 million lease (non-recourse to Seaspan Corporation) ⁽⁴⁾	38.8	150.0	111.2
\$150.0 million lease (non-recourse to Seaspan Corporation) ⁽⁴⁾	144.2	144.2	
	583.0	694.2	111.2
	\$ 2,982.1	\$ 4,141.8	\$ 892.4

- (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%. Based on a valuation of the vessels financed under the \$1.3 billion credit facility that was obtained in June 2011 (which was on a without-charter basis as required by our credit facility), we are currently unable to borrow the remaining \$267 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 2010 Annual Report.
- (2) Long-term debt related to operating vessels was \$2.0 billion as at June 30, 2011 and \$1.8 billion as at December 31, 2010.
- (3) 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. On October 21, 2010, the amount of the lease guaranteed by Seaspan Corporation was significantly reduced.
- (4) Amounts outstanding are owed by a wholly owned subsidiary of Seaspan Corporation and are non-recourse to Seaspan Corporation.
- Capital Resources*

As of June 30, 2011, the estimated remaining installments on the 10 vessels we had contracted to purchase or lease, as the case may be, totaled approximately \$897.4 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 \$0.9 billion 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.

Operating Cash Flows

Our cash flow from operating activities was \$96.6 million for the six months ended June 30, 2011 compared to \$57.7 million for the comparable period of the prior year, and is expected to increase as we take delivery of the 10 vessels that, as of June 30, 2011, 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 charterers payments to us are our sole source of operating cash flow. We believe we have

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good commercial relations with each of our customers and, to date, they have all met their commitments under their charter agreements with us. However, we cannot assure you 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 technical services fee we pay to our Manager pursuant to the management agreements. The technical services fee does not cover extraordinary costs or expenses, as defined in the management agreements, bunkers consumed during off-hire, repair costs or insurance deductibles. Any increase in such costs, which are not covered by the technical services fee, 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 61 of our vessels, together with other related security, such as assignments of shipbuilding contracts and refund guarantees for the vessels, assignments of time charters and earnings for the vessels, assignments of insurances for the vessels and assignment of management agreements for the vessels.

As of June 30, 2011, our revolving credit facilities and term loans provided for borrowings of up to \$3.4 billion, of which \$2.4 billion was outstanding. Approximately \$267 million of such \$3.4 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 June 30, 2011.

Interest payments on our term loans are based on either LIBOR plus margins, which ranged between 0.35% and 1.0% as of June 30, 2011 or, for a portion of one of our term loans, KEXIM plus margins, which was 0.65% as of June 30, 2011.

Our Lease Facilities

As at June 30, 2011, we had lease obligations of approximately \$634.1 million.

Our wholly owned subsidiary Seaspan Finance I Co. Ltd. was a party, as lessee, to lease agreements with Peony Western Leasing Limited, as lessor, for a lease facility used to finance the acquisition of five 4500 TEU vessels. Four of these vessels have been delivered as of June 30, 2011. These vessels have commenced, and the remaining vessel will commence, operations under 12-year fixed-rate time charters with K-Line upon delivery. The lessee is and will be a party to each of the time charters with K-Line, and we have guaranteed the performance of the lessee's obligations to K-Line. The lessee's obligations under this facility are secured by a general assignment of earnings (other than those related to the time charters for the vessels), insurances and requisition hire for each vessel and a corporate guarantee issued by us in respect of the obligations of the lessee and our Manager. As part of this reduction, the Company has placed \$60.0 million 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. This transaction involves a vessel that we had previously contracted to purchase from HHI and will be under a time charter with COSCON. Following the sale, the purchaser chartered the vessel to one of our subsidiaries and our subsidiary sub-chartered to us through an inter-company operating charter. We will still charter the vessel to COSCON in accordance with the terms of our original time charter. This vessel has been delivered as of June 29, 2011. Our subsidiary's financial indebtedness under the 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 is being constructed by HHI and will be under a time charter with COSCON. Upon delivery from HHI, the vessel will be purchased by the affiliate of Crédit Agricole CIB, and through an inter-

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company operating charter with our subsidiary, we will still 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.

For additional information about our credit and lease facilities, please read Item 5. Operating and Financial Review and Prospects C. Liquidity and Capital Resources in our 2010 Annual Report.

Statement of Cash Flows*Operating Cash Flows*

Net cash from operating activities was \$60.2 million and \$96.6 million for the three and six months ended June 30, 2011, respectively, which represent increases of \$20.1 million and \$38.9 million over the comparable periods in the previous year. The increases were primarily due to the following:

	Three months ended June 30, 2011 (in millions)	Six months ended June 30, 2011 (in millions)
Higher operating earnings before depreciation	\$ 27.3	\$ 58.5
Higher swap settlements	(2.4)	(5.1)
Higher cash interest expense, net of amounts capitalized	(4.1)	(8.6)
Working capital changes	(0.7)	(5.7)
Other		(0.2)
 Increase in net cash from operating activities over the comparable periods in the prior year	 \$ 20.1	 \$ 38.9

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 lower LIBOR and 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.

Investing Cash Flows

Cash used in investing activities was \$204.7 million and \$295.8 million for the three and six months ended June 30, 2011, respectively, which represent decreases of \$112.4 million and \$285.0 million over the comparable periods in the previous year. In the three months ended June 30, 2011, the amount was comprised primarily of final installments paid to the shipyards for delivered vessels and installments for vessels under construction. In the six months ended June 30, 2011, the amount comprised primarily of final installments paid to the shipyards for seven vessels and five installments for vessels under construction.

Financing Cash Flows

Net cash from financing activities was \$85.0 million and \$317.8 million for the three and six months ended June 30, 2011, respectively, which represent decreases of \$118.5 million and \$78.3 million over the comparable periods in the previous year. Although we have received \$240.3 million and \$104.4 of net proceeds received from the first and second issuances of our Series C preferred shares during the six months ended June 30, 2011, there were draws on our credit facilities in the three and six months ended June 30, 2010.

Ongoing Capital Expenditures and Dividends

We must make substantial capital expenditures over the long-term to (a) preserve our capital base, which is comprised of our net assets, (b) continue to refinance our indebtedness and (c) fund our dividends. We will likely need at some time in the future

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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, when and how much of our operating cash flow we should retain in our business 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, including 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 expiration of the technical services fees and financing arrangements described in this Report (our technical services fees are fixed until December 31, 2011 and will be subject to renegotiation thereafter; the majority of our financings carry fixed interest rate swaps with maturities between 2012 through to 2025; however, future operating and financing costs are currently unknown);

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

The value of our vessel assets at the time of our future financing requirements; and

unanticipated future events and other contingencies.

Please read "Risk Factors" in our 2010 Annual Report for factors that may affect our future capital expenditures and results.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(dollars in thousands, except per share amounts)			
Class A common shares				
Declared, per share	\$ 0.1875	\$ 0.1000	\$ 0.3125	\$ 0.2000
Paid in cash	9,375	5,159	15,626	10,306
Reinvested in common shares through dividend reinvestment plan	3,527	1,641	5,857	3,277
	\$ 12,902	\$ 6,800	\$ 21,483	\$ 13,583
Preferred shares				
Series A, accrued	\$ 7,435	\$ 6,606	\$ 14,577	\$ 12,952
Series B, paid in cash	\$ 325	\$ 121	\$ 645	\$ 121
Series C, paid in cash	\$ 6,069	\$	\$ 6,069	\$

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On July 21, 2011, we declared a second quarter dividend of \$0.1875 per common share, representing a distribution of \$12.9 million. The dividend is payable on August 22, 2011 to all shareholders of record on August 15, 2011.

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On July 19, 2011, we declared a quarterly dividend of \$0.600347 per share on our 9.5% Series C preferred shares, representing a distribution of \$8.4 million. The dividend was paid on August 1, 2011 to all shareholders of record as July 29, 2011 for the period from April 30, 2011 to July 29, 2011.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with US 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 various 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 June 30, 2011, we do not have any off-balance sheet arrangements.

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FORWARD-LOOKING STATEMENTS

This Report on Form 6-K for the quarter ended June 30, 2011 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, including any acquisition opportunities, vessel financing arrangements and related benefits relating to our venture with the Vehicle;

the potential acquisition of our Manager and change in management fees;

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 Manager's 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;

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the recent economic downturn and crisis in the global financial markets and potential negative effects of any reoccurrence 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 2010 Annual Report under the heading "Risk Factors." Our 2010 Annual Report was filed with the Commission on March 30, 2011.

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. We use interest rate swaps to manage interest rate price risks, but do not use these financial instruments for trading or speculative purposes.

Interest Rate Risk

As of June 30, 2011, our floating-rate borrowings totaled \$2.6 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 \$426.1 million in the counterparties favor as of June 30, 2011.

The tables below provide information about our financial instruments at June 30, 2011 that are sensitive to changes in interest rates. See note 7 to our consolidated financial statements included in our 2010 Annual Report, which provides additional information with respect to our debt agreements. The information in this table is based upon our credit facilities.

	2011	2012	Principal Payment Dates (dollars in thousands)			Thereafter
			2013	2014	2015	
Credit Facilities:						
Bearing interest at variable interest rates ⁽¹⁾	8,333	71,579	138,547	252,093	771,545	1,156,971
Lease Facilities:						
Bearing interest at variable interest rates ⁽²⁾	2,336	22,830	26,849	27,109	27,388	276,872

(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 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.

(2) Includes repayments for amounts yet to be funded of \$108.9 million.
As of June 30, 2011, we have the following interest rate swaps outstanding:

Fixed per annum rate swapped for LIBOR	Notional Amount as of June 30, 2011	Maximum Notional Amount ⁽¹⁾	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 ⁽²⁾
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.

(2)

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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.

Counterparties to these financial instruments may expose us to credit-related losses in the event of non-performance. As at June 30, 2011, these financial instruments were in the counterparties' favor. 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 June 30, 2011. As part of our consideration of non-performance risk, we perform evaluations of our counterparties for credit risk through monitoring of their financial health and risk profiles to identify funding risk or changes in their credit ratings.

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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 expect to not issue interest rate swaps for trading purposes.

Table of Contents**PART II OTHER INFORMATION****Item 1 Legal Proceedings**

None.

Item 1A Risk Factors

In addition to the other information set forth in this report, you should consider the factors discussed in Item 3.D Risk Factors in our 2010 Annual Report, which could materially affect our business, results of operations or financial condition.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3 Defaults Upon Senior Securities

None.

Item 4 Removed and Reserved

None.

Item 5 Other Information

The Company's 2011 Annual Meeting of Shareholders was held on April 30, 2011. 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 III 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 the definitive proxy statement of the Company dated March 15, 2011, 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 62,641,120. There were 7,239,055 broker non-votes.

Name	Number of Shares Voted	
	For	Withheld
Peter S. Shaerf	55,215,303	187,323
John C. Hsu	55,200,893	201,733

The other members of the board of directors are: Class I Directors: Kyle R. Washington and Nicholas A. Pitts-Tucker (terms expire at the end of the 2012 Annual Shareholder Meeting); Class II Directors: Gerry Wang, Peter Lorange and Graham Porter (terms expire at the 2013 Annual Shareholder Meeting); 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, 2011. Total common and Series A preferred stock voted (with Series A preferred stock voting on an as converted basis) was 62,489,164 in favor, 86,745 opposed, 66,040 abstained and two broker non-votes. The appointment of KPMG LLP as the independent auditors for the fiscal year ending December 31, 2011 was ratified.

Item 6 Exhibits

None.

