

Seaspans CORP  
Form 20-F  
March 10, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2015

OR

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

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

Date of event requiring this shell company report

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-32591

SEASPAN CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Republic of the Marshall Islands

(Jurisdiction of Incorporation or Organization)

Unit 2, 2nd Floor, Bupa Centre

141 Connaught Road West

Hong Kong

China

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(Address of Principal Executive Offices)

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(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Class A Common Shares, par value of \$0.01 per share	New York Stock Exchange
Series C Preferred Shares, par value of \$0.01 per share	New York Stock Exchange
Series D Preferred Shares, par value of \$0.01 per share	New York Stock Exchange
Series E Preferred Shares, par value of \$0.01 per share	New York Stock Exchange
6.375% Senior Unsecured Notes due 2019	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

98,645,991 Class A Common Shares, par value of \$0.01 per share

13,321,774 Series C Preferred Shares, par value of \$0.01 per share

4,981,029 Series D Preferred Shares, par value of \$0.01 per share

5,370,600 Series E Preferred Shares, par value of \$0.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

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If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

U.S. GAAP  International Financial Reporting Standards as Issued by the International Accounting Standards Board  Other

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

Item 17  Item 18

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

Yes  No

SEASPAN CORPORATION

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## PART I

Our disclosure and analysis in this Annual Report concerning our operations, cash flows, and financial position, including, in particular, the likelihood of our success in developing and expanding our business, include forward-looking statements (as such term is defined in Section 21E of the Securities Exchange Act of 1934, as amended). 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,” “will,” “may,” “should” and similar expressions are forward-looking statements. Although these statements are based upon assumptions we believe to be reasonable based upon available information, including projections of revenues, operating margins, earnings, cash flow, working capital and capital expenditures, they are subject to risks and uncertainties that are described more fully in this Annual Report in the section titled “Risk Factors.”

These forward-looking statements represent our estimates and assumptions only as of the date of this Annual 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 Annual Report. These statements include, among others:

- future operating or financial results;
- future growth prospects;
- our business strategy and other plans and objectives for future operations;
- our dividend policy and future dividends, including the amount and timing of expected dividend payments, for the four quarters of 2016;
- our primary sources of funds for our short and medium-term liquidity needs;
- potential acquisitions, vessel financing arrangements and other investments, and our expected benefits from such transactions, including any acquisition or construction opportunities, vessel financing arrangements and related benefits relating to our venture with Greater China Intermodal Investments LLC, or GCI;
- future time charters and vessel deliveries;
- the repurchase plans for common and preferred shares and repurchases under such plan;
- estimated future capital expenditures needed to preserve our capital base, our expectations regarding future dry-docking and operating expenses, including ship operating expenses, insurance costs and general and administrative expenses;
- 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 and the useful lives of our vessels;
- our expectations as to impairments of our vessels, including the timing and amount of potential impairments;
- the future valuation of goodwill;
- availability of crew, number of off-hire days and, dry-docking requirements;
- 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, to refinance our existing facilities and to obtain additional financing in the future to fund capital expenditures, acquisitions and other general corporate activities;
- our continued ability to maintain, enter into or renew primarily long-term, fixed-rate time charters with our existing customers or new customers, including, among other vessels, two of our 10000 TEU newbuilding containerships;
- the potential for early termination or renegotiation of long-term contracts and our potential inability to enter into, renew or replace long-term contracts;

- conditions in the public equity market and the price of our shares;
- our ability to leverage to our advantage our relationships and reputation in the containership industry;
- changes in governmental rules and regulations or actions taken by regulatory authorities, and the effect of governmental regulations on our business;
- 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;
  - the economic downturn in the global financial markets and potential negative effects of any recurrence of such disruptions on our customers' ability to charter our vessels and pay for our services;
- taxation of our company and of distributions to our shareholders;
- our exemption from tax on our U.S. source international transportation income;
- potential liability from future litigation;
- any potential acquisitions involving GCI; and
- other factors discussed in the section titled "Risk Factors."

Forward-looking statements in this Annual Report are estimates and assumptions 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, but not limited to, those set forth in "Item 3—D. Risk Factors."

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 expressly disclaim any obligation to update or revise any of these forward-looking statements, whether because of future events, new information, a change in our views or expectations, or otherwise. You should carefully review and consider the various disclosures included in this Annual Report and in our other filings made with the Securities and Exchange Commission, or the SEC, that attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations.

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

References to shipbuilders are as follows:

Shipbuilder	Reference
CSBC Corporation, Taiwan	CSBC
Hyundai Heavy Industries Co., Ltd.	HHI
Jiangsu New Yangzi Shipbuilding Co., Ltd.	New Jiangsu
Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd.	Jiangsu Xinfu
HHIC-PHIL Inc.	HHIC

References to customers are as follows:

Customer	Reference
China Shipping Container Lines (Asia) Co., Ltd. <sup>(1)</sup>	CSCL Asia
COSCO Container Lines Co., Ltd. <sup>(2)</sup>	COSCON
Hanjin Shipping Co., Ltd.	Hanjin
Hapag-Lloyd AG	Hapag-Lloyd
Hapag-Lloyd USA, LLC <sup>(3)</sup>	HL USA
Kawasaki Kisen Kaisha Ltd.	K-Line
Maersk Line A/S <sup>(4)</sup>	Maersk
Mediterranean Shipping Company S.A.	MSC
Mitsui O.S.K. Lines, Ltd.	MOL
Pacific International Lines (Pte) Ltd.	PIL
Yang Ming Marine Transport Corp.	Yang Ming Marine
ZIM Integrated Shipping Services Ltd.	ZIM

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

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

<sup>(3)</sup>A subsidiary of Hapag-Lloyd.

<sup>(4)</sup>A subsidiary of A.P. Moeller Maersk A/S.

We use the term “twenty foot equivalent unit,” or TEU, the international standard measure of containers, in describing the capacity of our containerships, which are also referred to as “our vessels”. We identify the classes of our vessels by the approximate average TEU capacity of the vessels in each class. However, the actual TEU capacity of a vessel may differ from the approximate average TEU capacity of the vessels in such vessel’s class.

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

## Item 3. Key Information

## A. Selected Financial Data

Our consolidated financial statements are prepared in accordance with United States generally accepted accounting principles, or U.S. GAAP.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Statements of operations data					
(in thousands of USD):					
Revenue	\$819,024	\$717,170	\$677,090	\$660,794	\$565,610
Operating expenses:					
Ship operating	193,836	166,097	150,105	138,655	135,696
Cost of services, supervision fees	1,950	—	—	—	—
Depreciation and amortization	204,862	181,527	172,459	165,541	140,354
General and administrative	27,338	30,462	34,783	24,617	16,818
Operating leases	40,270	9,544	4,388	3,145	—
(Gain) loss on vessels	—	—	—	(9,773)	16,237
Operating earnings	350,768	329,540	315,355	338,609	256,505
Other expenses (income):					
Interest expense	97,008	88,159	60,496	71,996	50,849
Interest income	(11,026)	(10,653)	(2,045)	(1,190)	(854)
Undrawn credit facility fee	3,100	3,109	2,725	1,516	4,282
Amortization of deferred charges	11,685	10,342	9,477	8,574	3,421
Refinancing expenses and costs	5,770	70	4,038	—	—
Change in fair value of financial instruments <sup>(1)</sup>	54,576	105,694	(60,504)	135,998	281,027
Equity (income) loss on investment	(5,107)	(256)	670	259	1,180
Other (income) expenses	(4,629)	1,828	1,470	151	—
Net earnings (loss)	\$199,391	\$131,247	\$299,028	\$121,305	\$(83,400)
Common shares outstanding:	98,622,160	96,662,928	69,208,888	63,042,217	69,620,060
Per share data (in USD):					
Basic earnings (loss) per Class A common					
share	\$1.46	\$0.80	\$3.36	\$0.84	\$(2.04)
Diluted earnings (loss) per Class A					
common share	1.46	0.79	2.93	0.81	(2.04)
Dividends paid per Class A common share	1.4700	1.3475	1.1880	0.9380	0.6880
Statement of cash flows data (in thousands of USD):					
Cash flows provided by (used in):					
Operating activities	\$335,872	\$342,959	\$327,669	\$311,183	\$239,864
Financing activities <sup>(2)</sup>	394,527	73,621	62,491	(181,364)	832,293
Investing activities <sup>(2)</sup>	(716,634)	(691,205)	(295,158)	(229,564)	(625,253)





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	Year Ended December 31,				
	2015	2014	2013	2012	2011
Selected balance sheet data (at year end, in thousands of USD):					
Cash and cash equivalents	\$215,520	\$201,755	\$476,380	\$381,378	\$481,123
Current assets	540,163	516,926	600,113	463,930	519,998
Vessels <sup>(3)</sup>	5,278,348	5,095,723	4,992,271	4,863,273	4,697,249
Deferred charges	92,640	64,655	53,971	43,816	45,917
Gross investment in lease	—	37,783	58,953	79,821	95,798
Goodwill	75,321	75,321	75,321	75,321	—
Other assets	89,056	67,308	106,944	83,661	88,754
Fair value of financial instruments, asset	33,632	37,677	60,188	41,031	—
Total assets	6,109,160	5,895,393	5,947,761	5,650,853	5,447,716
Current liabilities	425,489	416,937	520,406	180,306	189,788
Long-term deferred revenue	2,730	7,343	4,143	7,903	12,503
Long-term debt	3,099,849	3,084,409	2,853,459	3,024,288	2,914,247
Other long-term liabilities	468,023	253,542	572,673	613,049	583,263
Fair value of financial instruments, long-term liability	336,886	387,938	425,375	606,740	564,490
Total shareholders' equity	1,776,183	1,745,224	1,571,705	1,218,567	1,183,425
Other data:					
Number of vessels in operation at year end	85	77	71	69	65
TEU capacity at year end	578,300	474,300	414,300	405,100	352,700
Fleet utilization <sup>(4)</sup>	98.5	% 99.0	% 98.0	% 98.9	% 99.3

(1) All of our interest rate swap agreements and swaption agreements are marked to market and the changes in the fair value of these instruments are recorded in earnings.

(2) The cash flow data for 2014 has been recast to present non-cash debt draws as cash transactions, resulting in a reclassification between financing and investing activities. This reclassification, which is immaterial, had no impact on the consolidated statement of operations data.

(3) Vessel amounts include the net book value of vessels in operation and vessels under construction.

(4) Fleet utilization is based on number of operating days divided by the number of ownership days during the year.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Some of the following risks relate principally to the industry in which we operate and to our business in general. Other risks relate principally to the securities market and to ownership of our shares or our 6.375% senior unsecured notes due 2019, or our Notes. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results, ability to pay dividends on our shares, ability to pay interest and principal on our Notes, ability to redeem our preferred shares, or the trading price of

our shares or Notes.

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## Risks Inherent in Our Business

Our ability to obtain additional debt financing for future acquisitions of vessels may depend upon the performance of our then existing charters and the creditworthiness of our customers.

The actual or perceived credit quality of our customers, and any defaults by them, may materially affect our ability to obtain funds we may require to purchase vessels in the future or for general corporate purposes, or may significantly increase our costs of obtaining such funds. Our inability to obtain additional financing at attractive rates, if at all, could harm our business, results of operations and financial condition.

We will be required to make substantial capital expenditures to complete the acquisition of our newbuilding containerships and any additional vessels we acquire in the future, which may result in increased financial leverage, dilution of our equity holders' interests or our decreased ability to meet our payment obligations.

As of February 29, 2016, we have contracted to purchase an additional nine newbuilding containerships with scheduled delivery dates through October 2017. As of February 29, 2016, the total purchase price of the nine containerships remaining to be paid was estimated to be approximately \$667.1 million. Our obligation to purchase the nine containerships is not conditional upon our ability to obtain financing for such purchases. We intend to significantly expand the size of our fleet beyond our existing contracted vessel program. The acquisition of additional newbuilding or existing containerships or businesses will require significant additional capital expenditures.

To fund existing and future capital expenditures, we intend to use cash from operations, incur borrowings, raise capital through the sale of additional securities, enter into other sale-leaseback or financing arrangements, or use a combination of these methods. Use of cash from operations may reduce cash available to pay dividends to our shareholders or to redeem our preferred shares. Incurring additional debt may significantly increase our interest expense and financial leverage, and issuing additional equity securities may result in significant shareholder dilution, which, subject to the relative priority of our equity securities, could negatively affect our ability to pay dividends. Our ability to obtain or access bank financing or to access the capital markets for future debt or equity financings may be limited by our financial condition at the time of any such financing or offering and covenants in our credit facilities, as well as by adverse market conditions. To the extent that we enter into newbuilding or other vessel acquisition contracts prior to entering into charters for such vessels, our ability to obtain new financing for such vessels may be limited and we may be required to fund all or a portion of the cost of such acquisitions with our existing capital resources. Our failure to obtain funds for our capital expenditures at attractive rates, if at all, could harm our business, results of operations and financial condition.

Over the long-term, we will be required to make substantial capital expenditures to preserve the operating capacity of our fleet.

We must make substantial capital expenditures over the long-term to preserve the operating capacity of our fleet. If we do not retain funds in our business in amounts necessary to preserve the operating capacity of our fleet, over the long-term our fleet and related charter revenues may diminish and we will not be able to continue to refinance our indebtedness. At some time in the future, as our fleet ages, we will likely need to retain additional funds, on an annual basis, to provide reasonable assurance of maintaining the operating capacity of our fleet over the long-term. There are several factors that will not be determinable for a number of years, but which our board of directors will consider in future decisions about the amount of funds to be retained in our business to preserve our capital base. To the extent we use or retain available funds to make capital expenditures to preserve the operating capacity of our fleet, there will be less funds available to pay interest and principal on our Notes, pay dividends on our shares or redeem our preferred shares.



Restrictive covenants in our credit and lease facilities, our Notes and our preferred shares impose financial and other restrictions on us, which may limit, among other things, our ability to borrow funds under such facilities and our ability to satisfy our payment obligations related to our securities.

To borrow funds under our credit facilities, we must, among other things, meet specified financial covenants. For example, under certain of our existing credit facilities, we are prohibited from incurring total borrowings in an amount greater than 65% of our total assets as defined in the agreement and we must also ensure that certain interest coverage, and interest and principal coverage ratios are met. Total borrowings and total assets are terms defined in our credit facilities and differ from those used in preparing our consolidated financial statements, which are prepared in accordance with U.S. GAAP. To the extent we are not able to satisfy the requirements in our credit facilities, we may not be able to borrow additional funds under the facilities, and if we are not in compliance with specified financial ratios or other requirements, we may be in breach of the facilities, which could require us to repay outstanding amounts. We may also be required to prepay amounts borrowed under our credit facilities if we experience a change of control.

Our credit and lease facilities impose operating and financial restrictions on us and require us to comply with certain financial covenants. These restrictions and covenants limit our ability to, among other things:

- pay dividends if an event of default has occurred and is continuing under one of our credit facilities or if the payment of the dividend would result in an event of default;
- incur additional indebtedness under the credit facilities or otherwise, including through the issuance of guarantees;
- create liens on our assets;
- sell our vessels without replacing such vessels or prepaying a portion of our loan; or
- merge or consolidate with, or transfer all or substantially all our assets to, another person.

Accordingly, we may need to seek consent from our lenders or lessors in order to engage in some corporate actions. The interests of our lenders or lessors may be different from ours, and we may be unable to obtain our lenders' or lessors' consent when and if needed. In addition, we are subject to covenants for our preferred shares and Notes. If we do not comply with the restrictions and covenants in our credit or lease facilities, our Notes or in our preferred shares, our business, results of operations and financial condition will be harmed.

We may not be able to timely repay or be able to refinance indebtedness incurred under our credit and lease facilities.

We intend to finance a substantial portion of our fleet expansion with secured indebtedness drawn under our existing and future credit and lease facilities. We have significant repayment obligations under our credit and lease facilities, both prior to and at maturity. Please read "Item 5. Operating and Financial Review and Prospects—A. General—Management's Discussion and Analysis of Financial Condition and Results of Operations—2015 Developments—Loan and Lease Facility Transactions." If we are not able to refinance outstanding indebtedness at an interest rate or on terms acceptable to us, or at all, we will have to dedicate a significant portion of our cash flow from operations to repay such indebtedness, which could reduce our ability to satisfy payment obligations related to our securities and our credit and lease facilities or may require us to delay certain business activities or capital expenditures. If we are not able to satisfy these obligations (whether or not refinanced) under our credit or lease facilities with cash flow from operations, we may have to seek to restructure our indebtedness, undertake alternative financing plans (such as additional debt or equity capital) or sell assets, which may not be available on terms attractive to us or at all. If we are unable to meet our debt obligations, or if we otherwise default under our credit facilities, our lenders could declare all outstanding indebtedness to be immediately due and payable and foreclose on the vessels securing such indebtedness. The values of our vessels, which fluctuate with market conditions, will also affect our ability to obtain financing or refinancing, as our vessels serve as collateral for loans. Lower vessel values at the time of any financing or refinancing may reduce the amounts of funds we may borrow.



Our substantial debt levels and vessel lease obligations may limit our flexibility in obtaining additional financing and in pursuing other business opportunities.

As of December 31, 2015, we had an aggregate of approximately \$3.4 billion outstanding under our credit facilities and our Notes and capital lease obligations of approximately \$342.8 million. The amounts outstanding under our credit facilities and our lease obligations will further increase following the completion of our acquisition of the nine newbuilding containerships that we have contracted to purchase as of February 29, 2016. For the nine newbuilding containerships that we have contracted to purchase, we have entered into credit facilities for two of the vessels and plan to enter into additional credit facilities or lease obligations to finance the remaining seven vessels. Our level of debt and vessel lease obligations could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;
- we may need to use a substantial portion of our cash from operations to make principal and interest payments on our debt or make our lease payments, reducing the funds that would otherwise be available for operations, future business opportunities and dividends to our shareholders;
- our debt level could make us more vulnerable to competitive pressures or a downturn in our business or the economy generally than our competitors with less debt; and
- our debt level may limit our flexibility in responding to changing business and economic conditions.

Our ability to service our debt and vessel lease obligations will depend upon, among other things, our financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our results of operations are not sufficient to service our current or future indebtedness and vessel lease obligations, we will be forced to take actions such as reducing dividends, reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms, or at all.

Future disruptions in global financial markets and economic conditions or changes in lending practices may harm our ability to obtain financing on acceptable terms, which could hinder or prevent us from meeting our capital needs.

Global financial markets and economic conditions were disrupted and volatile following the events of 2007 and 2008. During this time, the debt and equity capital markets became exceedingly distressed, and it was difficult generally to obtain financing and the cost of any available financing increased significantly. While markets have stabilized since this time, if global financial markets and economic conditions significantly deteriorate in the future, we may be unable to obtain adequate funding under our credit facilities because our lenders may be unwilling or unable to meet their funding obligations or we may not be able to obtain funds at the interest rate agreed in our credit facilities due to market disruption events or increased costs. Such deterioration may also cause lenders to be unwilling to provide us with new financing to the extent needed to fund our ongoing operations and growth. In addition, in recent years, the number of lenders for shipping companies has decreased and ship-funding lenders have generally lowered their loan-to-value ratios and shortened loan terms and accelerated repayment schedules. These factors may hinder our ability to access financing.

If financing or refinancing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our obligations as they come due or we may be unable to implement our growth strategy, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could harm our business, results of operations and financial condition.



The business and activity levels of many of our customers, shipbuilders and third parties with which we do business and their respective abilities to fulfill their obligations under agreements with us, including payments for the chartering of our vessels, may be hindered by any deterioration in the credit markets.

Our current vessels are, and we anticipate that those that we acquire in the future will be, primarily chartered to customers under long-term time charters. Payments to us under those charters currently, and are expected to continue to, account for nearly all of our revenue. Many of our customers finance their activities through cash flow from operations, the incurrence of debt or the issuance of equity. During the financial and economic crises, there occurred a significant decline in the credit markets and the availability of credit and other forms of financing. Additionally, the equity value of many of our customers substantially declined during that period. The combination of a reduction of cash flow resulting from declines in world trade, a reduction in borrowing bases under reserve-based credit facilities and the limited or lack of availability of debt or equity financing potentially reduced the ability of our customers to make charter payments to us. Any recurrence of the significant financial and economic disruption of 2007 and 2008 could result in similar effects on our customers or other third parties with which we do business, which in turn could harm our business, results of operations and financial condition.

Similarly, the shipbuilders with whom we have contracted to construct newbuilding vessels may be affected by future instability of the financial markets and other market conditions, including with respect to the fluctuating price of commodities and currency exchange rates. In addition, the refund guarantors under our shipbuilding contracts (which are banks, financial institutions and other credit agencies that guarantee, under certain circumstances, the repayment of installment payments we make to the shipbuilders), may also be negatively affected by adverse financial market conditions in the same manner as our lenders and, as a result, be unable or unwilling to meet their obligations to us due to their own financial condition. If our shipbuilders or refund guarantors are unable or unwilling to meet their obligations to us, this will harm our fleet expansion and may harm our business, results of operations and financial condition.

We will be paying all costs for the newbuilding vessels that we have contracted to purchase and have incurred borrowings to fund, in part, installment payments under the relevant shipbuilding contracts. If any of these vessels are not delivered as contemplated, we may be required to repay all or a portion of the amounts we borrowed.

The construction period currently required for a newbuilding containership similar to those we have ordered is approximately 18 months. For each of the newbuilding vessels that we have agreed to purchase, we are required to make certain payment installments prior to a final installment payment, which final installment payment generally is approximately 50-80% of the total vessel purchase price. We have entered into long-term credit facilities to partially fund the construction of our newbuilding vessels and plan to enter into additional credit facilities or lease obligations to fund the remaining vessels that we have contracted to purchase. We are required to make these payments to the shipbuilder and to pay the debt service cost under the credit facilities in advance of receiving any revenue under the time charters for the vessels, which commence following delivery of the vessels.

If a shipbuilder is unable to deliver a vessel or if we or one of our customers rejects a vessel, we may be required to repay a portion of the outstanding balance of the relevant credit facility. Such an outcome could harm our business, results of operations and financial condition.

We derive our revenue from a limited number of customers, and the loss of any of such customers would harm our revenue and cash flow.

The following table shows, as at December 31, 2015, the number of vessels in our operating fleet that were chartered to our then 12 customers and the percentage of our total revenue attributable to the charters with such customers for the year ended December 31, 2015:

Customer	Number of Vessels in our Operating Fleet Chartered to Such Customer	Percentage of Total Revenue for the Year Ended December 31, 2015	
COSCON	18	36.5	%
CSCL Asia	17	15.4	
Hapag-Lloyd <sup>(1)</sup>	16	12.1	
MOL	10	12.9	
K-Line	7	9.1	
Yang Ming Marine	6	6.3	
Other	11	7.7	
Total	85	100.0	%

(1) Includes vessels chartered to Hapag-Lloyd and HL USA.

The majority of our vessels are chartered under long-term time charters, and customer payments are our primary source of operating cash flow. The loss of any of these charters or any material decrease in payments thereunder could materially harm our business, results of operations, financial condition and ability to pay dividends on our shares or redeem our preferred shares.

Under some circumstances, we could lose a time charter or payments under the charter if:

- the customer fails to make charter payments because of its financial inability, disagreements with us, defaults on a payment or otherwise;
- at the time of delivery, the vessel subject to the time charter differs in its specifications from those agreed upon under the shipbuilding contract; or
- the customer exercises certain limited rights to terminate the charter, including (a) if the ship fails to meet certain guaranteed speed and fuel consumption requirements and we are unable to rectify the situation or otherwise reach a mutually acceptable settlement and (b) under some charters, if we undertake a change of control to which the customer does not consent or if the vessel is unavailable for operation for certain reasons for a specified period of time, or if delivery of a newbuilding is delayed for a prolonged period.

Any significant financial or economic disruption could result in our customers being unable to make charter payments to us in the future or seeking to amend the terms of our charters. Any such event could harm our business, results of operations and financial condition.

Our growth depends upon continued growth in demand for containerships.

Our growth will generally depend on continued growth and renewal in world and regional demand for containership chartering. The ocean-going shipping container industry is both cyclical and volatile in terms of charter hire rates and profitability. Short-term containership charter rates have fluctuated significantly during the last few years, and are expected to continue to fluctuate in the future. Fluctuations in containership charter rates result from changes in the supply and demand for vessel capacity which are driven by global fleet capacity and utilization and changes in the supply and demand for the major products internationally transported by containerships. The factors affecting the supply and demand for containerships, and the nature, timing and degree of changes in industry conditions are unpredictable.

Factors that influence demand for containership capacity include, among others:

- supply and demand for products suitable for shipping in containers;
- changes in global production of products transported by containerships;
- seaborne and other transportation patterns, including the distances over which container cargoes are transported and changes in such patterns and distances;
- the globalization of manufacturing;
- global and regional economic and political conditions;
- developments in international trade;
- environmental and other regulatory developments;
- currency exchange rates; and
- weather.

Factors that influence the supply of containership capacity include, among others:

- the number of newbuilding orders and deliveries;
- the extent of newbuilding vessel deferrals;
- the scrapping rate of containerships;
- newbuilding prices and containership owner access to capital to finance the construction of newbuildings;
- charter rates and the price of steel and other raw materials;
- changes in environmental and other regulations that may limit the useful life of containerships;
- the number of containerships that are slow-steaming or extra slow-steaming to conserve fuel;
- the number of containerships that are idle;
- port congestion and canal closures; and
- demand for fleet renewal.

Our ability to re-charter our containerships upon the expiration or termination of their current time charters and the charter rates payable under any renewal or replacement charters will depend upon, among other things, the then current state of the containership market. If charter rates are low when our existing time charters expire, we may be required to re-charter our vessels at reduced rates or even possibly a rate whereby we incur a loss, which would harm our results of operations. Alternatively, we may determine to leave such vessels off-charter. The same issues will exist if we acquire additional vessels and seek to charter them under long-term time charter arrangements as part of our growth strategy.

An over-supply of containership capacity may lead to reductions in charter hire rates and profitability.

As of February 1, 2016, newbuilding containerships with an aggregate capacity of 3.9 million TEUs, representing approximately 19.6% of the total worldwide containership fleet capacity as of that date, were under construction. The size of the orderbook will result in the increase in the size of the world containership fleet over the next few years. An over-supply of containership capacity, combined with stability or any decline in the demand for containerships, may result in a reduction of charter hire rates, which is currently the case. If such a reduction occurs or exists when we seek to charter newbuilding vessels, our growth opportunities may be diminished. If such a reduction occurs or exists upon the expiration or termination of our containerships' current time charters, we may only be able to re-charter our containerships at unprofitable rates, if at all. As of March 10, 2016, we had three vessels off-charter following charter expiration; we have an additional 12 and 13 vessels subject to existing charters that are scheduled to expire during the remainder of 2016 and 2017, respectively.

We may be unable to make or realize expected benefits from acquisitions or investments, and implementing our growth strategy through acquisitions of existing businesses or vessels or investments in other containership businesses may harm our business, results of operations and financial condition.

Our growth strategy includes selectively acquiring new containerships, existing containerships, containership-related assets and containership businesses as market conditions allow. We may also invest in other containership businesses. Factors that may limit the number of acquisition or investment opportunities in the containership industry include the ability to access capital to fund such transactions, the overall economic environment and the status of global trade and the ability to secure long-term, fixed-rate charters.

Any acquisition of, or investment in, a vessel or business may not be profitable to us at or after the time we acquire or make such acquisition or investment and may not generate cash flow sufficient to justify our investment. In addition, our acquisition growth strategy exposes us to risks that may harm our business, financial condition and results of operations, including risks that we may:

- fail to realize anticipated benefits, such as new customer relationships, cost savings or cash flow enhancements;
- be unable to hire, train or retain qualified shore and seafaring personnel to manage and operate our growing business and fleet;
- decrease our liquidity by using a significant portion of our available cash or borrowing capacity to finance acquisitions or investments;
  - increase our leverage or dilute existing shareholders to the extent we fund any acquisitions through the assumption or incurrence of indebtedness or the issuance of equity securities;
- incur or assume unanticipated liabilities, losses or costs associated with the business or vessels acquired;
- have difficulties achieving internal controls effectiveness and integrating an acquired business into our internal controls framework;
- incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges; or
- not be able to service our debt obligations and other payment obligations related to our securities.

A significant number of our vessels are chartered to Chinese customers and certain of our shipbuilders are based in China. The legal system in China is not fully developed and has inherent uncertainties that could limit the legal protections available to us, and the geopolitical risks associated with chartering vessels to Chinese customers and constructing vessels in China could harm our business, results of operations and financial condition.

As of February 29, 2016, a total of 17 of the 90 vessels in our current and contracted fleet were chartered to CSCL Asia, and 18 vessels are chartered to COSCON. On March 1, 2016, the parent entities of CSCL Asia and COSCON entered into a series of agreements to merge their businesses, including their containership business. Integration of the containership business is expected to take several months. Our vessels that are chartered to Chinese customers and our four newbuilding vessels that are being constructed in China are subject to various risks as a result of uncertainties in Chinese law, including (a) the risk of loss of revenues, property or equipment as a result of expropriation, nationalization, changes in laws, exchange controls, war, insurrection, civil unrest, strikes or other political risks and (b) being subject to foreign laws and legal systems and the exclusive jurisdiction of Chinese courts and tribunals.

The Chinese legal system is based on written statutes and their legal interpretation by the standing Committee of the National People's Congress. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the Chinese government has been developing a comprehensive system of laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties.



If we are required to commence legal proceedings against a lender, a customer or a charter guarantor based in China with respect to the provisions of a credit facility, a time charter or a time charter guarantee, we may have difficulties in enforcing any judgment obtained in such proceedings in China. Similarly, our shipbuilders based in China provide warranties against certain defects for the vessels that they will construct for us and we have refund guarantees from a Chinese financial institution for installment payments that we will make to the shipbuilders. Although the shipbuilding contracts and refund guarantees are governed by English law, if we are required to commence legal proceedings against these shipbuilders or against the refund guarantor, we may have difficulties enforcing in China any judgment obtained in such proceeding.

A decrease in the level of China's export of goods or an increase in trade protectionism will harm our customers' business and, in turn, harm our business, results of operations and financial condition.

Most of our customers' containership business revenue is derived from the shipment of goods from the Asia Pacific region, primarily China, to various overseas export markets, including the United States and Europe. Any reduction in or hindrance to the output of China-based exporters could negatively affect the growth rate of China's exports and our customers' business. For instance, the government of China has implemented economic policies aimed at increasing domestic consumption of Chinese-made goods. This may reduce the supply of goods available for export and may, in turn, result in a decrease in shipping demand.

Our international operations expose us to the risk that increased trade protectionism will harm our business. If global economic challenges exist, governments may turn to trade barriers to protect their domestic industries against foreign imports, thereby depressing shipping demand. Specifically, increasing trade protectionism in the markets that our customers serve has caused and may continue to cause an increase in (a) the cost of goods exported from China, (b) the length of time required to deliver goods from China and (c) the risks associated with exporting goods from China. Such increases may also affect the quantity of goods to be shipped, shipping time schedules, voyage costs and other associated costs.

Any increased trade barriers or restrictions on trade, especially trade with China and Asia, would harm our customers' business, results of operations and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. This could harm our business, results of operations, and financial condition.

Adverse economic conditions, especially in the Asia Pacific region, the European Union or the United States, could harm our business, financial condition, results of operations and ability to pay dividends on our shares or redeem our preferred shares.

The global economy experienced disruption and volatility following adverse changes in global capital markets commencing in 2007 and 2008. The deterioration in the global economy caused, and any renewed deterioration may cause, a decrease in worldwide demand for certain goods and shipping. Economic instability could harm our business, results of operations and financial condition.

In particular, because a significant number of the port calls made by our vessels involves the loading or discharging of containerships in ports in the Asia Pacific region, economic turmoil in that region may exacerbate the effect of any economic slowdown on us. China has been one of the world's fastest growing economies in terms of gross domestic product, or GDP, which has increased the demand for shipping. However, China's high rate of real GDP growth is forecasted to continue to slow during 2016. Additionally, the European Union, or the EU, and certain of its member states are facing significant economic and political challenges. Our business, results of operations, financial condition and ability to satisfy our payment obligations will likely be harmed by any significant economic downturn in the Asia Pacific region, including China, or in the EU or the United States.





Our growth and our ability to re-charter our vessels depends on our ability to expand relationships with existing customers and develop relationships with new customers, for which we will face substantial competition.

We intend to acquire additional containerships as market conditions allow in conjunction with entering primarily into additional long-term, fixed-rate time charters for such ships, and to re-charter our existing vessels following the expiration of their current long-term time charters to the extent we retain those vessels in our fleet. The process of obtaining new long-term time charters is highly competitive and generally involves an intensive screening process and competitive bids, and often extends for several months. Containership charters are awarded based upon a variety of factors relating to the vessel operator, including, among others:

- shipping industry relationships and reputation for customer service and safety;
- container shipping experience and quality of ship operations, including cost effectiveness;
- quality and experience of seafaring crew;
- the ability to finance containerships at competitive rates and the shipowner's financial stability generally;
- relationships with shipyards and the ability to get suitable berths;
- construction management experience, including the ability to obtain on-time delivery of new ships according to customer specifications;
- willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and
- competitiveness of the bid in terms of overall price.

Competition for providing new containerships for chartering purposes comes from a number of experienced shipping companies, including direct competition from other independent charter owners and indirect competition from state-sponsored and other major entities with their own fleets. Some of our competitors have significantly greater financial resources than we do and may be able to offer better charter rates. An increasing number of marine transportation companies have entered the containership sector, including many with strong reputations and extensive resources and experience in the marine transportation industry. This increased competition may cause greater price competition for time charters. As a result of these factors, we may be unable to expand our relationships with existing customers or develop relationships with new customers on a profitable basis, if at all, which would harm our business, results of operations and financial condition. These risks will be heightened to the extent that we enter into newbuilding or other vessel acquisition contracts prior to entering into charters for such vessels.

If a more active short-term or spot containership market develops, we may have more difficulty entering into long-term, fixed-rate time charters and our existing customers may begin to pressure us to reduce our charter rates.

One of our principal strategies is to enter into long-term, fixed-rate time charters. As more vessels become available for the short-term or spot market, we may have difficulty entering into additional long-term, fixed-rate time charters for our vessels due to the increased supply of vessels and possibly lower rates in the spot market. As a result, our cash flow may be subject to instability in the long-term. A more active short-term or spot market may require us to enter into charters based on changing market prices, as opposed to contracts based on a fixed rate, which could result in a decrease in our cash flow in periods when the market price for containerships is depressed or insufficient funds are available to cover our financing costs for related vessels. In addition, the development of an active short-term or spot containership market could affect rates under our existing time charters as our current customers may begin to pressure us to reduce our rates.

Our ability to grow may be reduced by the introduction of new accounting rules for leasing.

The U.S. accounting standard-setting organization has issued its new standard on leases which has the effect of bringing most off-balance sheet leases onto a lessee's balance sheet as a right-of-use asset and a lease liability for all leases, including operating leases, with a term greater than 12 months. This change could affect our customers and potential customers and may cause them to breach certain financial covenants. This may make them less likely to enter into time charters for our containerships, which could reduce our growth opportunities.

Under the time charters for some of our vessels, if a vessel is off-hire for an extended period, the customer has a right to terminate the charter agreement for that vessel.

Under most of our time charter agreements, if a vessel is not available for service, or off-hire, for an extended period, the customer has a right to terminate the charter agreement for that vessel. If a time charter is terminated early, we may be unable to re-deploy the related vessel on terms as favorable to us, if at all. In the worst case, we may not receive any revenue from that vessel, but be required to continue to pay financing costs for the vessel and expenses necessary to maintain the vessel in proper operating condition. Please read "Item 4. Information on the Company—B. Business Overview—Time Charters and Bareboat Charters."

Risks inherent in the operation of ocean-going vessels could harm our business and reputation.

The operation of ocean-going vessels carries inherent risks. These risks include the possibility of:

- marine disaster;
- environmental accidents;
- grounding, fire, explosions and collisions;
- cargo and property losses or damage;
- business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, labor strikes or adverse weather conditions; and
- piracy.

Such occurrences could result in death or injury to persons, loss of property or environmental damage, delays in the delivery of cargo, loss of revenue from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business, higher insurance rates, and damage to our reputation and customer relationships generally. The involvement of our vessels in an environmental disaster could harm our reputation as a safe and reliable vessel owner and operator. Any of these circumstances or events could harm our business, results of operations and financial condition.

Acts of piracy on ocean-going vessels have increased in frequency, which could harm our business.

Piracy is an inherent risk in the operation of ocean-going vessels and has historically affected vessels trading in certain regions of the world, including, among other areas, the South China Sea and the Gulf of Aden off the coast of Somalia. We may not be adequately insured to cover losses from these incidents, which could harm our business, results of operations, financial condition and ability to pay dividends on our shares or redeem our preferred shares. In addition, crew costs, including for employing onboard security guards, could increase in such circumstances. Any of these events, or the loss of use of a vessel due to piracy, may harm our customers, impairing their ability to make payments to us under our charters, which would harm our business, results of operations and financial condition.

Terrorist attacks and international hostilities could harm our business, results of operations and financial condition.

Terrorist attacks and the continuing response to these attacks, as well as the threat of future terrorist attacks, continue to cause uncertainty in the world financial markets. Conflicts in Afghanistan, the Middle East and other regions and periodic tensions between North and South Korea (where many shipbuilders are located) may lead to additional acts of terrorism, regional conflict and other armed conflict around the world, which may contribute to further economic instability in the global financial markets or in regions where our customers do business or, in the case of countries in which our shipbuilders are located, affect our access to new vessels. These uncertainties or events could harm our business, results of operations and financial condition, including our ability to obtain additional financing on terms acceptable to us or at all. In addition, terrorist attacks targeted at sea vessels in the future may negatively affect our operations and financial condition and directly affect our containerships or customers.

Our insurance may be insufficient to cover losses that may occur to our property or result from the inherent operational risks of the shipping industry.

We maintain insurance for our fleet against risks commonly insured against by vessel owners and operators. Our insurance includes hull and machinery insurance, war risks insurance and protection and indemnity insurance (which includes environmental damage and pollution insurance). We may not be adequately insured against all risks and our insurers may not pay a particular claim. Even if our insurance coverage is adequate to cover any vessel loss, we may not be able to timely obtain a replacement vessel. Our credit facilities and lease agreements restrict our use of any proceeds we may receive from claims under our insurance policies. In addition, in the future we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. We may also be subject to supplementary or additional calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the protection and indemnity associations, as an industry group, through which we receive indemnity insurance coverage for statutory, contractual and tort liability, due to the sharing and reinsurance arrangements stated in the insurance rules. Our insurance policies also contain deductibles, limitations and exclusions which, although we believe they are standard in the shipping industry, may directly or indirectly increase our costs.

In addition, we do not carry loss-of-hire insurance, which covers the loss of revenue during extended vessel off-hire periods, such as those that occur during an unscheduled dry-docking due to damage to the vessel from accidents. Accordingly, any loss of a vessel or extended vessel off-hire, due to an accident or otherwise, could harm our business, results of operations and financial condition.

Increased inspection procedures, tighter import and export controls and new security regulations could cause disruption of our business.

International containership traffic is subject to security and customs inspection and related procedures in countries of origin, destination and trans-shipment points. These inspections can result in cargo seizure, delays in the loading, offloading, trans-shipment or delivery of containers and the levying of customs duties, fines or other penalties against exporters or importers and, in some cases, customers.

U.S. and Canadian authorities have increased container inspection rates. Government investment in non-intrusive container scanning technology has grown and there is interest in electronic monitoring technology. It is unclear what changes, if any, to the existing inspection procedures will ultimately be proposed or implemented, or how any such changes will affect the industry. Such changes may impose additional financial and legal obligations on carriers and may render the shipment of certain types of goods by container uneconomical or impractical. Additional costs that may arise from current or future inspection procedures may not be fully recoverable from customers through higher rates or security surcharges. Any of these effects could harm our business, results of operations and financial condition.



Depending on the outcome of an ongoing EU investigation of container liner companies related to potential antitrust violations, our growth, results of operations and our ability to charter our vessels may be reduced.

The European Commission is conducting investigations of certain major container liner companies, including some of our existing customers, related to potential violations of EU competition (antitrust) rules. Although we have no basis for assessing the outcome of these investigations, it is possible that additional financial and legal obligations may be imposed on one or more of these liner companies. Such obligations may make these customers or similarly situated potential customers less likely to enter into or renew time charters for our containerships, which could reduce our growth opportunities and harm our business, results of operations, financial condition and ability to pay dividends on our shares or redeem our preferred shares. In addition, any significant financial penalties arising from these or similar investigations could reduce the ability of our customers to make charter payments to us, which likewise could harm our business, results of operations and financial condition.

Over time, containership values may fluctuate substantially, which could adversely affect our results of operations or our ability to raise capital.

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

- prevailing economic conditions in the market in which the containership trades;
- a substantial or extended decline in world trade;
- increases in the supply of containership capacity; and
- the cost of retrofitting or modifying existing ships, as a result of technological advances in vessel design or equipment, changes in applicable environmental or other regulations or standards, or otherwise.

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

In addition, if we determine at any time that a containership's value has been impaired, we may need to recognize a significant impairment charge that will reduce our earnings and net assets. We review our containership assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, which occurs when the assets' carrying value is greater than the undiscounted future cash flows the asset is expected to generate over its remaining useful life. In our experience, certain assumptions relating to our estimates of future cash flows are more predictable by their nature, including, estimated revenue under existing contract terms and remaining vessel life. Certain assumptions relating to our estimates of future cash flows require more discretion and are inherently less predictable, such as future charter rates beyond the firm period of existing contracts and vessel residual values, due to factors such as the volatility in vessel charter rates and vessel values. We believe that the assumptions used to estimate future cash flows of our vessels are reasonable at the time they are made. We can make no assurances, however, as to whether our estimates of future cash flows, particularly future vessel charter rates or vessel values, will be accurate. Vessels that are currently not considered impaired may become impaired over time if the future estimated undiscounted cash flows decline at a rate that is faster than the depreciation of our vessels.

A reduction in our net assets could result in a breach of certain financial covenants contained in our credit and lease facilities and our preferred shares, which could limit our ability to borrow additional funds under our credit and lease facilities, require us to repay outstanding amounts, or increase the dividend rate of our Series C preferred shares. Further, declining containership values could affect our ability to raise cash by limiting our ability to refinance vessels or use unencumbered vessels as collateral for new loans. This could harm our business, results of operations and financial condition.



If time charter rates do not improve meaningfully from current market rates during the next three to six months, we expect that our average estimated daily time charter rate used in future impairment analyses will decline resulting in reduced estimated undiscounted future net cash flows to an amount which is less than the carrying value of certain vessels up to 5000 TEUs. In accordance with our accounting policy, if this occurs we will be required to recognize a non-cash impairment charge equal to the excess of the impacted vessels' carrying value over their fair value. Based on information available at December 31, 2015 about the fair value of vessels and the estimated future carrying value of such vessels, an estimate of such impairment charge would be in a range of between approximately \$250 million to \$290 million during fiscal 2016, commencing in the quarter ending September 30, 2016. The determination of the fair value of vessels will depend on various market factors, including charter and discount rates and vessel trading values, and our reasonable assumptions at that time. The amount, if any, and timing of any impairment charges we may recognize in the future will depend upon then current and expected future charter rates and vessel values, which may differ materially from those used in our estimates at December 31, 2015.

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

Our business and the operation of our containerships are materially affected by environmental regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which our containerships operate, as well as in the countries of their registration, including those governing the management and disposal of hazardous substances and wastes, the cleanup of oil spills and other contamination, air emissions, water discharges, ballast water management and vessel recycling. Because such conventions, laws and regulations are often revised, we cannot predict the ultimate cost or effect of complying with such requirements or the effect thereof on the resale price or useful life of our containerships. Additional conventions, laws and regulations may be adopted that could limit our ability to do business or increase the cost of our doing business, which may harm our business, results of operations and financial condition.

Environmental requirements can also affect the resale value or useful lives of our vessels, require a reduction in cargo capacity, ship modifications or operational changes or restrictions, lead to decreased availability of insurance coverage for environmental matters or result in substantial penalties, fines or other sanctions, including the denial of access to certain jurisdictional waters or ports or detention in certain ports. Under local, national and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including cleanup obligations and natural resource damages, if there is a release of petroleum or other hazardous materials from our vessels or otherwise in connection with our operations. We could also become subject to personal injury or property damage claims relating to the release of hazardous materials associated with our operations.

In addition, in complying with existing environmental laws and regulations and those that may be adopted, we may incur significant costs in meeting new maintenance and inspection requirements and new restrictions on air emissions from our containerships, in developing contingency arrangements for potential spills and in obtaining insurance coverage. Government regulation of vessels, particularly in the areas of safety, security and environmental requirements, can be expected to become stricter in the future and require us to incur significant capital expenditures on our vessels to keep them in compliance, or even to scrap or sell certain vessels altogether. Substantial violations of applicable requirements or a catastrophic release of bunker fuel from one of our containerships could harm our business, results of operations and financial condition.

Compliance with safety and other vessel requirements imposed by classification societies may be costly and harm our business.

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the

applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention. In addition, a vessel generally must undergo annual, intermediate and special surveys to maintain classification society certification. If any vessel does not maintain its class or fails any annual, intermediate or special survey, the vessel will be unable to trade between ports and will be unemployable and we could be in violation of certain covenants in our credit facilities and our lease agreements. This could harm our business, results of operations and financial condition.



Delays in deliveries of our newbuilding containerships could harm our business, results of operations and financial condition.

We are currently under contract to purchase nine newbuilding containerships, which are scheduled to be delivered at various times through October 2017. The delivery of these containerships, or any other containerships we may order, could be delayed, which would delay our receipt of revenue under the time charters for the containerships and, if the delay is prolonged, could permit our customers to terminate the newbuilding containership time charter. Any of such events could harm our business, results of operations and financial condition.

The delivery of the containerships could be delayed because of:

- work stoppages, other labor disturbances or other events that disrupt any of the shipyards' operations;
- quality or engineering problems;
  - changes in governmental regulations or maritime self-regulatory organization standards;
- bankruptcy or other financial crisis of any of the shipyards;
- a backlog of orders at any of the shipyards;
- hostilities, or political or economic disturbances in the Philippines, Taiwan or China, where the containerships are being built;
- weather interference or catastrophic event, such as a major earthquake, fire or tsunami;
- our requests for changes to the original containership specifications;
- shortages of or delays in the receipt of necessary construction materials, such as steel;
- our inability to obtain requisite permits or approvals;
- a dispute with any of the shipyards;
- the failure of our banks to provide debt financing; or
- a disruption to the financial markets.

In addition, each of the shipbuilding contracts for our newbuilding containerships contains "force majeure" provisions whereby the occurrence of certain events could delay delivery or possibly result in termination of the contract. If delivery of a containership is materially delayed or if a shipbuilding contract is terminated, it could harm our business, results of operations and financial condition.

Due to our lack of diversification, adverse developments in our containership transportation business could harm our business, results of operations and financial condition.

Our articles of incorporation currently limit our business to the chartering or re-chartering of containerships to others and other related activities, unless otherwise approved by our board of directors.

Nearly all of our cash flow is generated from our charters that operate in the containership transportation business. Due to our lack of diversification, an adverse development in the containership industry may more significantly harm our business, results of operations and financial condition than if we maintained more diverse assets or lines of business.

Because each existing and newbuilding vessel in our contracted fleet is or will be built in accordance with standard designs and uniform in all material respects to other vessels in its TEU class, any material design defect likely will affect all vessels in such class.

Each existing and newbuilding vessel in our fleet is built, or will be built, in accordance with standard designs and uniform in all material respects to other vessels in its class. As a result, any latent design defect discovered in one of our vessels will likely affect all of our other vessels in that class. Any disruptions in the operation of our vessels

resulting from these defects could harm our business, results of operations and financial condition.

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Increased technological innovation in competing vessels could reduce our charter hire rates and the value of our vessels.

The charter hire rates and the value and operational life of a vessel are determined by a number of factors, including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to be loaded and unloaded quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. Physical life is related to the original design and construction, maintenance and the impact of the stress of operations. If new containerships are built that are more efficient or flexible or have longer physical lives than our vessels, competition from these more technologically advanced containerships could adversely affect the amount of charter hire payments we receive for our vessels once their initial charters end and the resale value of our vessels. As a result, our business, results of operations and financial condition could be harmed.

Maritime claimants could arrest our vessels, which could interrupt our cash flow.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against the applicable vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting a vessel through foreclosure proceedings. In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel that is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert "sister ship" liability against one vessel in our fleet for claims relating to another of our ships. The arrest or attachment of one or more of our vessels could interrupt our business and cash flow and require us to pay significant amounts to have the arrest lifted, which could harm our business, results of operations and financial condition.

Governments could requisition our containerships during a period of war or emergency, resulting in loss of earnings.

The government of a ship's registry could requisition for title or seize our containerships. Requisition for title occurs when a government takes control of a ship and becomes the owner. Also, a government could requisition our containerships for hire. Requisition for hire occurs when a government takes control of a ship and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our containerships could harm our business, results of operations and financial condition.

Exposure to currency exchange rate fluctuations may result in fluctuations in our results of operations and financial condition and ability to pay dividends on our shares or redeem our preferred shares.

All of our charter revenues are earned in U.S. dollars. Although a significant portion of our operating and general and administrative costs are incurred in U.S. dollars, we have some exposure to currencies other than U.S. dollars, including Canadian dollars, Indian Rupees, Euros and other foreign currencies. Although we monitor exchange rate fluctuations on a continuous basis, and seek to reduce our exposure in certain circumstances by denominating charter-hire revenue, ship building contracts, purchase contracts and debt obligations in U.S. dollars when practical to do so, we do not currently fully hedge movements in currency exchange rates. As a result, currency fluctuations may have a negative effect on our results of operations and financial condition.

Damage to our reputation or industry relationships could harm our business.

Our operational success and our ability to grow depend significantly upon our satisfactory performance of technical services (including vessel maintenance, crewing, purchasing, shipyard supervision, insurance, assistance with regulatory compliance and financial services). Our business will be harmed if we fail to perform these services satisfactorily. Our ability to compete for and to enter into new charters and expand our relationships with our

customers depends upon our reputation and relationships in the shipping industry. If we suffer material damage to our reputation or relationships, it may harm our ability to, among other things:

- renew existing charters upon their expiration;
- obtain new charters;
- successfully interact with shipyards;

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- dispose of vessels on commercially acceptable terms;
- obtain financing on commercially acceptable terms;
- maintain satisfactory relationships with our customers and suppliers; or
- grow our business.

If our ability to do any of the things described above is impaired, it could harm our business, results of operations and financial condition.

As we expand our business or provide services to third parties, we may need to improve our operating and financial systems, expand our commercial and technical management staff, and recruit suitable employees and crew for our vessels.

Since our initial public offering in 2005, we have increased the size of our contracted fleet from 23 to 90 vessels. We have also agreed to provide technical management services to third and related parties, including GCI and affiliates of Dennis R. Washington for vessels they may acquire. Our current operating and financial systems may not be adequate if we further expand the size of our fleet or if we provide services to third parties and attempts to improve those systems may be ineffective. In addition, we will need to recruit suitable additional administrative and management personnel to manage any growth. We may not be able to continue to hire suitable employees in such circumstances. If a shortage of experienced labor exists or if we encounter business or financial difficulties, we may not be able to adequately staff our vessels. If we expand our fleet, or as we provide services to third parties and we are unable to grow our financial and operating systems or to recruit suitable employees, our business, results of operations and financial condition may be harmed.

Our chief executive officer does not devote all of his time to our business.

Our chief executive officer, Gerry Wang, is involved in other business activities that may result in his spending less time than is appropriate or necessary in order to manage our business successfully. Pursuant to his employment agreement with us, Mr. Wang is permitted to provide services to Tiger Management Limited, an entity owned and controlled by one of our directors, Graham Porter, and in which Mr. Wang has an indirect interest (or the Tiger Member), and GCI and certain of their respective affiliates, in addition to the services that he provides to us. In addition, Mr. Wang is the chairman of the board of managers of GCI. Please read “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Certain Relationships and Transactions.”

Our business depends upon certain employees, who may not necessarily continue to work for us.

Our future success depends to a significant extent upon our chief executive officer and co-chairman of our board of directors, Gerry Wang, and certain members of our senior management. Mr. Wang has substantial experience and relationships in the containership industry and has been instrumental in developing our relationships with our customers. Mr. Wang and other members of our senior management are crucial to the development of our business strategy and to the growth and development of our business. If they, and Mr. Wang in particular, were no longer to be affiliated with us, we may fail to recruit other employees with equivalent talent, experience and relationships, and our business, results of operations, financial condition and ability to pay dividends may be significantly harmed as a result. Although Mr. Wang has an employment agreement with us through the termination of our right of first refusal with GCI (which is scheduled to expire on March 31, 2016, unless earlier terminated), Mr. Wang could terminate his employment at any time. As such, it is possible that Mr. Wang will no longer provide services to us and that our business, results of operations and financial condition may be harmed by the loss of such services. We are in discussions with Mr. Wang regarding a new employment agreement that would extend beyond March 31, 2016. We can provide no assurances as to whether we and Mr. Wang will enter into a new employment agreement or the terms of any such agreement.



We may not achieve expected benefits from our participation in GCI.

In March 2011, we agreed to participate in GCI, which invests in containership assets, primarily newbuilding vessels strategic to the People's Republic of China, Taiwan, Hong Kong and Macau, or Greater China. We believe that the combined scale of our business and GCI, together with current excess capacity at shipyards, allows us to realize volume discounts for newbuilding orders and to negotiate fuel-efficient design improvements from shipyards that are attractive to our customers. To the extent excess shipyard capacity decreases, we may be unable to achieve these benefits. In addition, we may be unable to obtain more attractive vessel financing through GCI than otherwise available to us on our own.

GCI intends to compete in our markets, and its entry into the containership market may harm our business, results of operations and financial position.

The Carlyle Group, or Carlyle, which controls GCI, is a leading global alternative asset manager. GCI intends to invest equity capital in containership and other maritime assets, primarily newbuilding vessels strategic to Greater China, which is similar to our growth strategy of investing in primarily newbuilding vessels strategic to Greater China. The involvement of Carlyle in GCI and the amount of funds that GCI may invest in containerships could result in GCI becoming the owner of a significant fleet of containerships, which could compete with us for growth opportunities, subject to certain rights of first refusal in our favor that may continue up to March 31, 2016, subject to earlier termination. Please read "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Our Investment in Carlyle Containership-Focused Investment Vehicle—Rights of First Refusal and First Offer." Our business, results of operations and financial condition could be harmed to the extent GCI successfully competes against us for containership opportunities.

We have reduced the fiduciary duties of Gerry Wang and Graham Porter in relation to certain growth opportunities that become subject to our right of first refusal with GCI, which may limit our rights in such growth opportunities to our rights under the right of first refusal.

Pursuant to agreements between us and each of our chief executive officer and co-chairman of our board of directors, Gerry Wang, and one of our directors, Graham Porter, we have reduced the fiduciary duties of Mr. Wang and Mr. Porter in relation to certain containership vessel and business opportunities to the extent such opportunities are subject to our right of first refusal with GCI and (a) the conflicts committee of our board of directors decides to reject such opportunity or we fail to exercise our right of first refusal to pursue such opportunity, (b) we exercise such right but fail to pursue such opportunity or (c) we do not have the right under our right of first refusal to pursue such opportunity. Our rights to such opportunities may be limited to our rights under our right of first refusal with GCI, which would be more restrictive than the rights based on fiduciary duties we otherwise would have relating to such opportunities.

If our right of first refusal with GCI expires, our chief executive officer and one of our directors may be subject to increased conflict of interest situations relating to growth opportunities due to their dual capacities with us and GCI.

Our chief executive officer and co-chairman, Gerry Wang, is also an executive officer and director of GCI. Our director Graham Porter is also a director of GCI. If our right of first refusal with GCI expires, which is scheduled for March 31, 2016, conflicts of interest of Messrs. Wang and Porter relating to any potential containership acquisition and chartering opportunities may increase, particularly if they become aware of such opportunities while acting in their capacities as an officer or as directors of GCI. Any such conflicts could cause Messrs. Wang or Porter to decide to terminate their fiduciary roles with us or GCI, and may complicate our and GCI's claims to such opportunities.

In order to timely exercise our right of first refusal from GCI, we may be required to enter into containership construction contracts without financing arrangements or charter contracts then being in place, which may result in financing on less favorable terms or employment of the vessels other than on long-term, fixed-rate charters, if at all.

Under our right of first refusal with GCI relating to containership acquisition opportunities, we generally must exercise our right of first refusal within 12 business days of receiving a notice from GCI of the acquisition opportunity. At the time we must exercise our right of first refusal, there may be no financing arrangement or charter commitment relating to the newbuilding or existing containership to be acquired. If we elect to acquire the vessel without a financing arrangement or charter commitment then in place, we may be unable subsequently to obtain financing or charter the vessel on a long-term, fixed-rate basis, on terms that will result in positive cash flow to us from operation of the vessel, or at all. Accordingly, our business, results of operations and financial condition may be harmed.

Certain of our officers and directors or their affiliates have separate interests in or related to GCI, which may result in conflicts of interest between their interests and those of us and our shareholders relative to GCI.

One of our directors, Graham Porter, through his interest in the Tiger Member, is an indirect investor in Greater China Industrial Investments LLC, or GC Industrial, the member with the largest capital commitment in GCI. Blue Water Commerce, LLC, or Blue Water, an affiliate of Dennis R. Washington, or the Washington Member, and our chief executive officer, Gerry Wang, have indirect interests in the Tiger Member. As a result, Messrs. Wang and Porter and the Washington Member will have indirect interests in incentive distributions received by GC Industrial from GCI. These incentive distributions will range between 20% and 30% after a cumulative compounded rate of return of 12% has been generated on all member capital contributions. Mr. Wang is the chairman of the board of managers of GCI. Messrs. Wang and Porter are members of GCI's transaction committee, which will be primarily responsible for approving the purchase, newbuild contracting, chartering, financing and technical management of new and existing investments for GCI. Kyle R. Washington, co-chairman of our board of directors, is a non-voting member of GCI's transaction committee. In addition, affiliates of Messrs. Wang and Porter provide certain transactional and financing services to GCI, for which they receive compensation.

As a result of these interests relating to GCI, the interests of Messrs. Wang, Porter and Kyle R. Washington may conflict with those of us or our shareholders relative to GCI.

Anti-takeover provisions in our organizational documents could make it difficult for our shareholders to replace or remove our current board of directors or have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our securities.

Several provisions of our articles of incorporation and our bylaws could make it more difficult for our shareholders to change the composition of our board of directors, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that shareholders may consider



favorable.

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These provisions include:

- authorizing our board of directors to issue “blank check” preferred shares without shareholder approval;
- prohibiting cumulative voting in the election of directors;
- authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote for those directors;
- prohibiting shareholder action by written consent unless the written consent is signed by all shareholders entitled to vote on the action;
- limiting the persons who may call special meetings of shareholders;
- establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by shareholders at shareholder meetings; and
- restricting business combinations with interested shareholders.

These anti-takeover provisions could substantially impede a potential change in control and, as a result, may adversely affect the market price of our securities.

Substantial future sales of our preferred or common shares in the public market could cause the price of such shares to fall.

The market price of our preferred and common stock could decline due to sales of a large number of shares in the market, including sales of shares by our large shareholders, or the perception that these sales could occur. These sales could also make it more difficult or impossible for us to sell equity securities in the future at a time and price that we deem appropriate to raise funds through future share offerings. In connection with our initial public offering, our entry into employment or services agreements with our chief executive officer, Gerry Wang, and an affiliate of one of our directors, Graham Porter, and the acquisition of our Manager, we have granted registration rights to the holders of certain of our securities, including common shares or securities convertible into common shares. These shareholders have the right, subject to certain conditions, to require us to file registration statements covering the sale by them of such common shares. Following their sale under an applicable registration statement, any such common shares will become freely tradable. By exercising their registration rights and selling a large number of common shares, these shareholders could cause the price of our common shares to decline.

We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law.

Our corporate affairs are governed by our articles of incorporation and bylaws and by the Marshall Islands Business Corporations Act, or BCA. The provisions of the BCA resemble provisions of the corporation laws of some states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the laws of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain United States jurisdictions. Shareholder rights may differ as well. While the BCA does specifically incorporate non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public shareholders may have more difficulty in protecting their interests in the face of actions by management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction.

Because we are organized under the laws of the Marshall Islands, it may be difficult to serve us with legal process or enforce judgments against us, our directors or our management.

We are organized under the laws of the Marshall Islands, and all of our assets are located outside of the United States. Our principal executive offices are located in Hong Kong and a majority of our directors and officers are residents

outside of the United States. As a result, it may be difficult or impossible for you to bring an action against us or against our directors or our management in the United States if you believe that your rights have been infringed under securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Marshall Islands and of other jurisdictions may prevent or restrict you from enforcing a judgment against our assets or our directors and officers.

Our ability to pay dividends on our shares and redeem our preferred shares is limited by the requirements of Marshall Islands law.

Marshall Islands law provides that we may pay dividends on our shares and redeem our preferred shares only to the extent that assets are legally available for such purposes. Legally available assets generally are limited to our surplus, which essentially represents our retained earnings and the excess of consideration received by us for the sale of shares above the par value of the shares. In addition, under Marshall Islands law we may not pay dividends on our shares or redeem our preferred shares if we are insolvent or would be rendered insolvent by the payment of such a dividend or the making of such redemption.

We may not have sufficient cash from our operations to enable us to pay dividends on our shares or redeem our preferred shares following the payment of expenses.

We will pay quarterly dividends on our shares from funds legally available for such purpose when, as and if declared by our board of directors. We may not have sufficient cash available each quarter to pay dividends. In addition, we may have insufficient cash available to redeem our preferred shares. The amount of dividends we can pay or the amount we can use to redeem the preferred shares depends upon the amount of cash we generate from and use in our operations, which may fluctuate significantly based on, among other things:

- the rates we obtain from our charters or re-charters and the ability of our customers to perform their obligations under their time charters;
- the level of our operating costs;
- the number of unscheduled off-hire days for our fleet and the timing of, and number of days required for, dry-docking of our containerships;
- delays in the delivery of new vessels and the beginning of payments under charters relating to those ships;
- prevailing global and regional economic and political conditions;
- the effect of governmental regulations and maritime self-regulatory organization standards on the conduct of our business;
- changes in the basis of taxation of our activities in various jurisdictions;
- our ability to service and refinance our current and future indebtedness;
- our ability to raise additional debt and equity to satisfy our capital needs; and
- our ability to draw on our existing credit facilities and the ability of our lenders and lessors to perform their obligations under their agreements with us.

The amount of cash we have available to pay dividends on our shares or to redeem our preferred shares will not depend solely on our profitability, and our board of directors may determine to retain cash rather than to use it to pay dividends.

The actual amount of cash we will have available to pay dividends on our shares or to redeem our preferred shares also depends on many factors, including, among others:

- changes in our operating cash flow, capital expenditure requirements, working capital requirements and other cash needs;
- restrictions under our existing or future credit and lease facilities or any future debt securities, including existing restrictions under our credit and lease facilities on our ability to declare or pay dividends if an event of default has occurred and is continuing or if the payment of the dividend would result in an event of default;
- the amount of any reserves established by our board of directors; and
- restrictions under Marshall Islands law, which generally prohibits the payment of dividends other than from surplus (i.e. retained earnings and the excess of consideration received for the sale of shares above the par value of the shares) or while a company is insolvent or would be rendered insolvent by the payment of such a dividend.



The amount of cash we generate from our operations may differ materially from our net income or loss for the period, which is affected by non-cash items, and our board of directors in its discretion may elect not to declare any dividends. As a result of these and the other factors mentioned above, we may pay dividends during periods when we record losses and may not pay dividends during periods when we record net income.

Our board of directors periodically assesses our need to retain funds rather than pay them out as dividends. Unless we are successful in making acquisitions with outside sources of financing that add a material amount to our cash available for retention in our business or unless our board of directors concludes that we will likely be able to re-charter our fleet upon expiration of existing charters at rates higher than the rates in our current charters, our board of directors will likely determine at some future date to reduce, or possibly eliminate, our dividend to provide reasonable assurance that we are retaining funds necessary to preserve our capital base.

### Tax Risks

In addition to the following risk factors, you should read “Item 4. Information on the Company—B. Business Overview—Taxation of the Company,” and “Item 10. Additional Information—E. Taxation,” for a more complete discussion of the expected material U.S. federal and non-U.S. income tax considerations relating to us and the ownership and disposition of our shares.

U.S. tax authorities could treat us as a “passive foreign investment company,” which could have adverse U.S. federal income tax consequences to U.S. shareholders.

A non-U.S. entity treated as a corporation for U.S. federal income tax purposes will be treated as a “passive foreign investment company,” or a PFIC, for such purposes in any taxable year for which either (a) at least 75% of its gross income consists of “passive income” or (b) at least 50% of the average value of the corporation’s assets is attributable to assets that produce, or are held for the production of, “passive income.” For purposes of these tests, “passive income” includes dividends, interest, gains from the sale or exchange of investment property, rents and royalties (other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business) but does not include income derived from the performance of services.

There are legal uncertainties involved in determining whether the income derived from our time chartering activities constitutes rental income or income derived from the performance of services, including the decision in *Tidewater Inc. v. United States*, 565 F.3d 299 (5th Cir. 2009), which held that income derived from certain time chartering activities should be treated as rental income rather than services income for purposes of a foreign sales corporation provision of the Internal Revenue Code of 1986, as amended, or the Code. However, the Internal Revenue Service, or IRS, stated in an Action on Decision (AOD 2010-01) that it disagrees with, and will not acquiesce to, the way that the rental versus services framework was applied to the facts in the *Tidewater* decision, and in its discussion stated that the time charters at issue in *Tidewater* would be treated as producing services income for PFIC purposes. The IRS’s statement with respect to *Tidewater* cannot be relied upon or otherwise cited as precedent by taxpayers. Consequently, in the absence of any binding legal authority specifically relating to the statutory provisions governing PFICs, there can be no assurance that the IRS or a court would not follow the *Tidewater* decision in interpreting the PFIC provisions of the Code. Nevertheless, based on the current composition of our assets and operations (and those of our subsidiaries), we intend to take the position that we are not now and have never been a PFIC. No assurance can be given, however, that this position would be sustained by a court if contested by the IRS, or that we would not constitute a PFIC for any future taxable year if there were to be changes in our assets, income or operations.

If the IRS were to find that we are or have been a PFIC for any taxable year during which a U.S. Holder (as defined below under “Item 10. Additional Information—E. Taxation—Material U.S. Federal Income Tax Considerations”) held shares, such U.S. Holder would face adverse tax consequences. For a more comprehensive discussion regarding our

status as a PFIC and the tax consequences to U.S. Holders if we are treated as a PFIC, please read “Item 10. Additional Information—E. Taxation—Material U.S. Federal Income Tax Considerations—U.S. Federal Income Taxation of U.S. Holders—PFIC Status and Significant Tax Consequences.”

We, or any of our subsidiaries, may become subject to income tax in jurisdictions in which we are organized or operate, including the United States, Canada and Hong Kong, which would reduce our earnings and potentially cause certain shareholders to be subject to tax in such jurisdictions.

We intend that our affairs and the business of each of our subsidiaries will be conducted and operated in a manner that minimizes income taxes imposed upon us and our subsidiaries. However, there is a risk that we will be subject to income tax in one or more jurisdictions, including the United States, Canada and Hong Kong, if under the laws of any such jurisdiction, we or such subsidiary is considered to be carrying on a trade or business there or earn income that is considered to be sourced there and we do not or such subsidiary does not qualify for an exemption. Please read “Item 4. Information on the Company—B. Business Overview—Taxation of the Company.” In addition, while we do not believe that we are, nor do we expect to be, resident in Canada, in the event that we were treated as a resident of Canada, shareholders who are non-residents of Canada may be or become subject to tax in Canada. Please read “Item 4. Information on the Company—B. Business Overview—Taxation of the Company—Canadian Taxation” and “Item 10. Additional Information—E. Taxation—Canadian Federal Income Tax Considerations.”

#### Item 4. Information on the Company

##### A. History and Development of the Company

Seaspan Corporation was incorporated in the Republic of the Marshall Islands in May 2005 to acquire all of the containership business of Seaspan Container Lines Limited. In August 2005, we completed our initial public offering. From an initial operating fleet of 10 vessels, as of February 29, 2016, we have grown to an operating fleet of 85 containerships and we have entered into contracts for the purchase of an additional nine newbuilding containerships, which have scheduled delivery dates through October 2017.

We maintain our principal executive offices at Unit 2, 2nd Floor, Bupa Centre, 141 Connaught Road West, Hong Kong, China. Our telephone number is (852) 2540-1686.

##### B. Business Overview

###### General

We are a leading independent charter owner and manager of containerships, which we charter primarily pursuant to long-term, fixed-rate time charters with major container liner companies. As of February 29, 2016, we operated a fleet of 85 containerships and have entered into contracts for the purchase of an additional nine newbuilding containerships which have scheduled delivery dates through October 2017. Of our nine newbuilding containerships, seven will commence operation under long-term, fixed-rate charters upon delivery. We expect to enter into long-term time charter contracts for the remaining newbuilding containerships in the near future. The average age of the 85 vessels in our operating fleet was approximately eight years as of February 29, 2016.

We primarily deploy our vessels on long-term, fixed-rate time charters to take advantage of the stable cash flow and high utilization rates that are typically associated with long-term time charters. As of February 29, 2016, the charters on the 85 vessels in our operating fleet had an average remaining term of approximately four years, excluding the effect of charterers’ options to extend certain time charters.





Customers for our operating fleet as at February 29, 2016 were as follows:

Customers for Current Fleet

COSCON

CSCL Asia

HL USA

Hanjin

Hapag-Lloyd

K-Line

Maersk

MSC

MOL

PIL

Yang Ming Marine

ZIM

Customers for Additional Seven Vessel Deliveries Subject to Charter Contracts

Maersk

MOL

MSC

Yang Ming Marine

Our primary objective is to continue to grow our business through accretive vessel acquisitions as market conditions allow. Please read “—Our Fleet” for more information about our vessels and time charter contracts. Most of our customers’ containership business revenues are derived from the shipment of goods from the Asia Pacific region, primarily China, to various overseas export markets in the United States and in Europe.

## Our Fleet

## Our Current Fleet

The following table summarizes key facts regarding our 85 operating vessels as of February 29, 2016:

Vessel Name	Vessel Class (TEU)	Charter Year	Charter Start Date	Charterer	Length of Charter	Daily Charter Rate (in thousands of USD)	
YM Wish	14000	2015	4/7/15	Yang Ming Marine	10 years + one 2-year option	\$46.8	
YM Wellhead	14000	2015	4/22/15	Yang Ming Marine	10 years + one 2-year option	46.8	
YM Winner <sup>(1)</sup>	14000	2015	6/10/15	Yang Ming Marine	10 years + one 2-year option	46.8	
YM Witness	14000	2015	7/3/15	Yang Ming Marine	10 years + one 2-year option	46.8	
YM Wellness <sup>(1)</sup>	14000	2015	8/21/15	Yang Ming Marine	10 years + one 2-year option	46.8	
YM Warmth <sup>(1)</sup>	14000	2015	10/16/15	Yang Ming Marine	10 years + one 2-year option	46.8	
COSCO Glory	13100	2011	6/10/11	COSCON	12 years	55.0	
COSCO Pride <sup>(1)</sup>	13100	2011	6/29/11	COSCON	12 years	55.0	
COSCO Development	13100	2011	8/10/11	COSCON	12 years	55.0	
COSCO Harmony	13100	2011	8/19/11	COSCON	12 years	55.0	
COSCO Excellence	13100	2012	3/8/12	COSCON	12 years	55.0	
COSCO Faith <sup>(1)</sup>	13100	2012	3/14/12	COSCON	12 years	55.0	
COSCO Hope	13100	2012	4/19/12	COSCON	12 years	55.0	
COSCO Fortune	13100	2012	4/29/12	COSCON	12 years	55.0	
Hanjin Buddha	10000	2014	3/25/14	Hanjin	10 years + one 2-year option	43.0	(2)
Hanjin Namu	10000	2014	6/5/14	Hanjin	10 years + one 2-year option	43.0	(2)
Hanjin Tabul	10000	2014	7/2/14	Hanjin	10 years + one 2-year option	43.0	(2)
MOL Bravo <sup>(1)</sup>	10000	2014	7/18/14	MOL	8 years + one 2-year option	37.5	(3)
MOL Brightness <sup>(1)</sup>	10000	2014	10/31/14	MOL	8 years + one 2-year option	37.5	(3)
MOL Breeze <sup>(1)</sup>	10000	2014	11/14/14	MOL	8 years + one 2-year option	37.5	(3)
MOL Beacon <sup>(1)</sup>	10000	2015	4/10/15	MOL	8 years + one 2-year option	37.5	(3)
Maersk Guayaquil	10000	2015	9/21/15	Maersk		37.2	(4)

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					5 years + two 1-year options	
CSCL Zeebrugge	9600	2007 3/15/07	CSCL Asia	12 years	34.5	(5)
CSCL Long Beach	9600	2007 7/6/07	CSCL Asia	12 years	34.5	(5)
CSCL Oceania	8500	2004 12/4/04	CSCL Asia	12 years + one 3-year option	29.8	(6)
CSCL Africa	8500	2005 1/24/05	CSCL Asia	12 years + one 3-year option	29.8	(6)
COSCO Japan	8500	2010 3/9/10	COSCON	12 years + three 1-year options	42.9	(7)
COSCO Korea	8500	2010 4/5/10	COSCON	12 years + three 1-year options	42.9	(7)
COSCO Philippines	8500	2010 4/24/10	COSCON	12 years + three 1-year options	42.9	(7)
COSCO Malaysia	8500	2010 5/19/10	COSCON	12 years + three 1-year options	42.9	(7)
COSCO Indonesia	8500	2010 7/5/10	COSCON	12 years + three 1-year options	42.9	(7)
COSCO Thailand	8500	2010 10/20/10	COSCON	12 years + three 1-year options	42.9	(7)
COSCO Prince Rupert	8500	2011 3/21/11	COSCON	12 years + three 1-year options	42.9	(7)
COSCO Vietnam	8500	2011 4/21/11	COSCON	12 years + three 1-year options	42.9	(7)
MOL Emerald	5100	2009 4/30/09	MOL	12 years	28.9	
MOL Eminence	5100	2009 8/31/09	MOL	12 years	28.9	

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MOL Emissary	5100	2009	11/20/09	MOL	12 years	28.9	
MOL Empire	5100	2010	1/8/10	MOL	12 years	28.9	
MSC Veronique	4800	1989	11/25/11	MSC	5 years	14.5	(8)
MSC Manu	4800	1988	11/15/11	MSC	5 years	14.5	(8)
MSC Leanne	4800	1989	10/19/11	MSC	5 years	14.5	(8)
MSC Carole	4800	1989	10/12/11	MSC	5 years	14.5	(8)
MOL Excellence	4600	2003	2/20/16	MOL	Up to 3 months <sup>(9)</sup>	Market rate	(10)
MOL Efficiency	4600	2003	7/15/15	MOL	Up to 9.5 months <sup>(11)</sup>	Market rate	(10)
Brotonne Bridge <sup>(1)</sup>	4500	2010	10/25/10	K-Line	12 years + two 3-year options	34.3	(12)
Brevik Bridge <sup>(1)</sup>	4500	2011	1/25/11	K-Line	12 years + two 3-year options	34.3	(12)
Bilbao Bridge <sup>(1)</sup>	4500	2011	1/28/11	K-Line	12 years + two 3-year options	34.3	(12)
Berlin Bridge	4500	2011	5/9/11	K-Line	12 years + two 3-year options	34.3	(12)
Budapest Bridge	4500	2011	8/1/11	K-Line	12 years + two 3-year options	34.3	(12)
Seaspan Hamburg	4250	2001	11/3/13	Hapag-Lloyd	Up to 18 months <sup>(13)</sup>	Market rate	(10)
Seaspan Chiwan	4250	2001	12/29/13	Hapag-Lloyd	Up to 18 months <sup>(13)</sup>	Market rate	(10)
Seaspan Ningbo	4250	2002	9/7/13	Hapag-Lloyd	Up to 18 months <sup>(13)</sup>	Market rate	(10)
Seaspan Dalian	4250	2002	1/16/16	Hapag-Lloyd	Up to 18 months	Market rate	(10)
Seaspan Felixstowe	4250	2002	1/24/16	Hapag-Lloyd	Up to 18 months	Market rate	(10)
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	
CSCL Brisbane	4250	2005	9/15/05	CSCL Asia	12 years	17.0	
New Delhi Express	4250	2005	8/19/15	HL USA	Up to 24 months <sup>(14)</sup>	Market rate	(10)
Dubai Express	4250	2006	11/4/15	HL USA	Up to 24 months <sup>(14)</sup>	Market rate	(10)
Jakarta Express	4250	2006	2/15/16	HL USA	Up to 12.5 months <sup>(15)</sup>	18.0	
Saigon Express	4250	2006	1/19/16	HL USA	1.5 months <sup>(17)</sup>	Market rate	(10)
					3 years + seven 1-year extensions + two 1-year options <sup>(18)</sup>	18.0	(16)
Lahore Express	4250	2006	7/11/06	HL USA	options <sup>(18)</sup>	18.0	(16)
					3 years + seven 1-year extensions + two 1-year options <sup>(18)</sup>		
Rio Grande Express	4250	2006	10/20/06	HL USA	options <sup>(18)</sup>		
Seaspan Santos	4250	2006	2/1/16	Hapag-Lloyd	Up to 12 months <sup>(19)</sup>	Market rate	(10)
					3 years + seven 1-year extensions + two 1-year options <sup>(18)</sup>	18.0	(16)
Rio de Janeiro Express	4250	2007	3/28/07	HL USA	options <sup>(18)</sup>		
					3 years + seven 1-year extensions + two 1-year options <sup>(18)</sup>	18.0	(16)
Manila Express	4250	2007	5/23/07	HL USA	options <sup>(18)</sup>		
CSAV Loncomilla	4250	2009	4/28/09	Hapag-Lloyd	7 years <sup>(20)</sup>	25.9	

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CSAV Lumaco	4250	2009	5/14/09	Hapag-Lloyd	7 years <sup>(20)</sup>	25.9	
Seaspan Lingue	4250	2010	6/16/15	PIL	Up to 12 months <sup>(21)</sup>	Market rate	<sup>(10)</sup>
Seaspan Lebu	4250	2010	10/24/15	Hapag-Lloyd	Up to 14 months <sup>(22)</sup>	Market rate	<sup>(10)</sup>
Madinah <sup>(1)</sup>	4250	2009	12/28/15	ZIM	Up to 7 months <sup>(23)</sup>	Market rate	<sup>(10)</sup>
COSCO Fuzhou	3500	2007	3/27/07	COSCON	12 years	19.0	
COSCO Yingkou	3500	2007	7/5/07	COSCON	12 years	19.0	
CSCL Panama	2500	2008	5/14/08	CSCL Asia	12 years	16.9	<sup>(24)</sup>
CSCL São Paulo	2500	2008	8/11/08	CSCL Asia	12 years	16.9	<sup>(24)</sup>
CSCL Montevideo	2500	2008	9/6/08	CSCL Asia	12 years	16.9	<sup>(24)</sup>
CSCL Lima	2500	2008	10/15/08	CSCL Asia	12 years	16.9	<sup>(24)</sup>
CSCL Santiago	2500	2008	11/8/08	CSCL Asia	12 years	16.9	<sup>(24)</sup>
CSCL San Jose	2500	2008	12/1/08	CSCL Asia	12 years	16.9	<sup>(24)</sup>
CSCL Callao	2500	2009	4/10/09	CSCL Asia	12 years	16.9	<sup>(24)</sup>
CSCL Manzanillo	2500	2009	9/21/09	CSCL Asia	12 years	16.9	<sup>(24)</sup>
Guayaquil Bridge	2500	2010	3/8/10	K-Line	10 years	17.9	
Calicanto Bridge	2500	2010	5/30/10	K-Line	10 years	17.9	

<sup>(1)</sup>This vessel is leased pursuant to a lease agreement, which we used to finance the acquisition of the vessel.

<sup>(2)</sup>Hanjin has an initial charter of 10 years with a charter rate of \$43,000 per day for the initial term and \$44,500 per day during the two-year option.

<sup>(3)</sup>MOL has an initial charter of eight years with a charter rate of \$37,500 per day for the initial term and \$43,000 per day during the two-year option.

<sup>(4)</sup>Maersk has an initial charter of five years with a charter rate of \$37,150 per day for the initial term, \$39,250 per day for the first one-year option and \$41,250 per day for the second one-year option.

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- (5) CSCL Asia has a charter of 12 years with a charter rate of \$34,000 per day for the first six years, increasing to \$34,500 per day for the second six years.
- (6) 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.
- (7) 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.
- (8) MSC has a bareboat charter of five years with a charter rate of \$10,000 per day for the first two years, increasing to \$14,500 per day after two years. MSC has agreed to purchase the vessels for \$5.0 million each at the end of their respective five-year bareboat charter terms. In addition, we pay a 1.25% commission to a broker on all bareboat charter payments for these charters.
- (9) In January 2016, we agreed to a direct continuation of the time charter at market rates for a minimum of one month up to a maximum of three months where the exact period is at MOL's option. This vessel is expected to be re-delivered to us on March 20, 2016 and will be renamed Seaspan Excellence.
- (10) Given that the term of the charter is less than three years (excluding any charterers' option to extend the term), the vessel is being chartered at current market rates.
- (11) This vessel was re-delivered to us on March 1, 2016 and is currently off-charter. The vessel was also renamed Seaspan Efficiency.
- (12) 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.
- (13) On expiry of current short-term charters that expire between March and June 2016, the vessel will commence a direct continuation at market rates for a minimum of 11 months up to a maximum of 18 months, where the exact period is at Hapag-Lloyd's option.
- (14) In June 2015, we agreed to a direct continuation of the time charter at market rates for a minimum of 18 months up to a maximum of 24 months, where the exact period is at HL USA's option. The new rates were in effect from August 2015 for the New Delhi Express and November 2015 for the Dubai Express.
- (15) The term of this time charter has been extended at a rate of \$18,000 per day for a minimum of 9.5 months and market rates for the remaining term up to a maximum of 12.5 months.
- (16) HL USA had an initial charter of three years that automatically extends for up to an additional seven years in successive one-year extensions unless HL USA elects to terminate the charters with two years' prior written notice, with a charter rate of \$18,000 per day for the first one-year option remaining, increasing to \$18,500 per day for the second one-year option remaining.
- (17) In January 2016, we agreed to a direct continuation of the time charter at market rates for a term of approximately 1.5 months. This vessel was re-delivered to us on March 8, 2016. The vessel is currently off-charter and will be renamed Seaspan Saigon.
- (18) 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 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 been automatically extended pursuant to their terms.
- (19) This vessel was re-delivered to us on November 30, 2015 and commenced a time charter with Hapag-Lloyd on February 1, 2016 at market rates for a minimum of six months up to a maximum of 12 months, where the exact period is at Hapag-Lloyd's option.
- (20) In February 2016, we agreed to a direct continuation of the time charter at market rates for a minimum of one month up to a maximum of 13 months, where the exact period is at Hapag-Lloyd's option. These direct continuations will commence in April 2016.
- (21) This vessel is expected to be re-delivered to us on April 1, 2016.
- (22)

In October 2015, we agreed to a direct continuation of the time charter at market rates for a minimum of nine months up to a maximum of 14 months, where the exact period is at Hapag-Lloyd's option.

<sup>(23)</sup>In December 2015, we agreed to a direct continuation of the time charter at market rates for a minimum of two months up to a maximum of seven months, where the exact period is at ZIM's option. The vessel was re-delivered to us on March 7, 2016 and is currently off-charter.

<sup>(24)</sup>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 continue to grow our business through accretive vessel acquisitions as market conditions allow.

As of February 29, 2016, we have contracted to purchase nine additional newbuilding containerships which have scheduled delivery dates through October 2017. These vessels consist of the following:

Vessel				Scheduled	
Class				Delivery	
Vessel	(TEU)	Length of Time Charter <sup>(1)</sup>	Charterer	Date	Shipbuilder
Hull No. 1106	10000	8 years + one 2-year option	MOL	2016	New Jiangsu and Jiangsu Xinfu
Hull No. 1120	10000	5 years + two 1-year options	Maersk	2016	New Jiangsu and Jiangsu Xinfu
Hull No. 1037	14000	10 years + one 2-year option	Yang Ming Marine	2016	CSBC
Hull No. 1039	14000	10 years + one 2-year option	Yang Ming Marine	2016	CSBC
Hull No. 1122	10000	<sup>(2)</sup>	<sup>(2)</sup>	2017	New Jiangsu and Jiangsu Xinfu
Hull No. 1169	10000	<sup>(2)</sup>	<sup>(2)</sup>	2017	New Jiangsu and Jiangsu Xinfu
Hull No. 145	11000	17 years	MSC	2017	HHIC
Hull No. 147	11000	17 years	MSC	2017	HHIC
Hull No. 153	11000	17 years	MSC	2017	HHIC

<sup>(1)</sup>Each charter is scheduled to begin upon delivery of the vessel to the charterer.

<sup>(2)</sup>We expect to enter into a long-term charter for this vessel in the near future.

The following table indicates the estimated number of owned, leased and managed vessels in our fleet based on scheduled delivery dates as of February 29, 2016:

	Scheduled for the Year Ended		
	December 31, 2015	2016	2017
Owned and leased vessels, beginning of year	77	85	85
Deliveries	8	4	5
Contractual sale <sup>(1)</sup>	—	(4)	—
Total, end of year	85	85	90
Managed vessels, beginning of year	5	15	20
Deliveries	10	5	4
Total, end of year	15	20	24
Total Fleet	100	105	114
Total Capacity (TEU)	733,500	824,300	919,300

(1)

Relates to four 4800 TEU vessels that commenced five-year bareboat charters in 2011. The charterer has agreed to purchase the vessels for \$5.0 million each at the end of their respective five-year bareboat charter terms.

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## Our Charters

We charter our vessels primarily under long-term, fixed-rate time charters. We charter four of our vessels under bareboat charters. The following table presents the number of vessels chartered by each of our customers as of February 29, 2016.

Charterer	Number of Vessels in Our Current Operating Fleet	Number of Vessels Scheduled to be Delivered (Sold) through 2017	Total Vessels Upon All Deliveries
COSCON	18	—	18
CSCL Asia	17	—	17
MOL	9	1	10
HL USA	8	—	8
K-Line	7	—	7
Hapag Lloyd	9	—	9
Hanjin	3	—	3
PIL	1	—	1
Maersk	1	1	2
Yang Ming Marine	6	2	8
ZIM	1	—	1
Total time charters	80	4	84
MSC (bareboat charters)	—	3	3
MSC (bareboat charters) <sup>(1)</sup>	4	(4	) —
No charter	1	2	3
Total fleet	85	5	90

<sup>(1)</sup>Relates to four 4800 TEU vessels that commenced five-year bareboat charters in 2011. The charterer has agreed to purchase the vessels for \$5.0 million each at the end of their respective five-year bareboat charter terms.

## Time Charters and Bareboat Charters

A time charter is a contract for the use of a vessel for a fixed period of time at a specified daily rate. Under a time charter, the vessel owner provides crewing and other services related to the vessel's operation, the cost of which is included in the daily rate; the charterer is responsible for substantially all of the vessel voyage expenses, such as fuel (bunkers) cost, port expenses, agents' fees, canal dues, extra war risk insurance and commissions.

Our four 4800 TEU vessels are chartered by MSC under bareboat charters. Our three 11000 TEU vessels will be chartered by MSC under bareboat charters. A bareboat charter is a contract for the use of a vessel for a fixed period of time at a specified amount. Under a bareboat charter, the charterer is responsible for providing crewing and other services related to the vessel's operation, as well as vessel voyage expenses.

The initial term for a time or bareboat charter commences on the vessel's delivery to the charterer. Under all of our time charters, the charterer may also extend the term for periods in which the vessel is off-hire. The current charter periods and any applicable extension options are included above under "—Our Fleet." Under our bareboat charters with

MSC, MSC has agreed to purchase each vessel for \$5.0 million at the end of their respective five-year bareboat charter terms.

With respect to the vessels on charter to HL USA, CP Ships Limited has provided a guarantee of the obligations and liabilities of HL USA under each time charter and Hapag-Lloyd has provided a guarantee of the obligations and liabilities of CP Ships Limited under the original guarantee. For vessels on charter to CSCL Asia, CSCL Hong Kong and CSCL have each provided a guarantee of the obligations and liabilities of CSCL Asia under each time charter.

## Hire Rate

“Hire rate” refers to the basic payment from the charterer for the use of the vessel. Under all of our time charters, hire rate is payable, in advance, in U.S. dollars, as specified in the charter. The hire rate is a fixed daily amount that may increase, or decrease, in some cases, at varying intervals during the term of the charter and any extension to the term. Payments generally are made in advance on a monthly or semi-monthly basis. The charter hire rate may be reduced in certain instances as a result of added cost to the charterer due to vessel performance deficiencies in speed or fuel consumption. We have had no instances of such hire rate reductions.

## Operations and Expenses

Our Manager operates our vessels and is responsible for vessel operating expenses, which include technical management, crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses and capital expenses, including normally scheduled dry-docking of the vessels. The charterer generally pays the voyage expenses, which include all expenses relating to particular voyages, such as fuel (bunkers) cost, port expenses, agents’ fees, canal dues, extra war risk insurance and commissions.

## Off-hire

When a vessel is “off-hire,” or not available for service, the charterer generally is not required to pay the hire rate, and we are responsible for all costs, including the fuel (bunkers) cost, unless the charterer is responsible for the circumstances giving rise to the vessel’s lack of availability. A vessel generally will be deemed to be off-hire when there is an event preventing the full working of the vessel due to, among other things:

- operational deficiencies not due to actions of the charterers or their agents;
- dry-docking for repairs, maintenance or inspection;
- equipment or machinery breakdowns, abnormal speed and construction conditions;
- delays due to accidents for which the vessel owner, operator or manager is responsible, and related repairs;
- crewing strikes, labor boycotts caused by the vessel owner, operator or manager, certain vessel detentions or similar problems; or
- a failure to maintain the vessel in compliance with its specifications and contractual standards or to provide the required crew.

Under most of our time charters, if a vessel is off-hire for a specified number of consecutive days or for a specified aggregate number of days during a 12-month period, the charterer has the right to cancel the time charter with respect to that vessel. Under some charters, if a vessel is off-hire for specified reasons for a prolonged period, we are obligated to charter a substitute vessel and to pay any difference in hire cost of the charter for the duration of the substitution. The periods of off-hire that trigger such termination rights exclude, in addition to any other specific exclusions in the charter, off-hire for routine dry-dockings or non-compliance with regulatory obligations. Our charter contracts generally provide for hire adjustments for vessel performance deficiencies such as those in speed or fuel consumption, with prolonged performance deficiencies giving the charterer a termination right under some charters.

## Ship Management and Maintenance

Under each of our time charters, we are responsible for the operation and management of each vessel, including maintaining the vessel, periodic dry-docking, cleaning and painting and performing work required by regulations. We also provide limited ship management services to Dennis R. Washington’s personal vessel owning companies and ship management and construction supervision services to GCI.

We focus on risk reduction, operational reliability and safety. We believe we achieve high standards of technical ship management by, among other methods:

- developing a minimum competency standard for seagoing staff;
- standardizing equipment used throughout the fleet, thus promoting efficiency and economies of scale;

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- implementing a voluntary vessel condition and maintenance monitoring program (our Manager was the first in the world to achieve accreditation by vessel classification society Det Norske Veritas on its hull planned maintenance system);
- recruiting officers and ratings through an affiliate based in India that has a record of employee loyalty and high retention rates among its employees;
- implementing an incentive system to reward staff for the safe operation of vessels; and
- initiating and developing a cadet training program.

Our staff has skills in all aspects of ship management and experience in overseeing new vessel construction, vessel conversions and general marine engineering, and has previously worked in various companies in the international ship management industry, including China Merchants Group, Neptune Orient Lines, Teekay Corporation, Safmarine Container Lines and Columbia Ship Management. A number of senior officers also have sea-going experience, having served aboard vessels at a senior rank. In all training programs, we place an emphasis on safety and regularly train our crew members and other employees to meet our high standards. Shore-based personnel and crew members are trained to be prepared to respond to emergencies related to life, property or the environment.

#### Termination or Change of Control

We are generally entitled to withdraw a vessel from service to a charterer if the charterer defaults in its payment obligations, without prejudice to other claims for hire against the charterers. Some of our charterers also have the right to terminate the time charters in circumstances other than extended periods of off-hire as noted above. Under some of our time charters, the customer has the right to prior notice of or consent to any material change in our ownership or voting control.

#### Sale and Purchase of Vessels

Under some of our time charters, the customer has the right to prior notice of or consent to any proposed sale of the applicable vessel, which consent cannot be unreasonably withheld. A limited number of charters provide the charterer with a right of first refusal for the proposed vessel sale, which would require us to offer the vessel to the charterer prior to selling it to another entity. Sub-charters do not affect our ability to sell our time chartered vessels. Our 17-year bareboat charters for three of our newbuilding vessels on order require the charterer to purchase each vessel upon termination of the bareboat charter, at a pre-determined amount.

#### Hull and Machinery, Loss of Hire and War Risks Insurance

We maintain marine hull and machinery and war risks insurance, which covers the risk of actual or constructive total loss and partial loss, for all of our vessels. Each of our vessels is covered up to at least fair market value with certain deductibles per vessel per claim. We achieve this overall loss coverage by maintaining nominal increased value coverage for each of our vessels, under which coverage in the event of total loss of a vessel, we will be entitled to recover amounts not recoverable under the hull and machinery policy due to under-insurance. We have not obtained, and do not intend to obtain, loss-of-hire insurance covering the loss of revenue during extended off-hire periods. We believe that this type of coverage is not economical and is of limited value to us. However, we evaluate the need for such coverage on an ongoing basis, taking into account insurance market conditions and the employment of our vessels. The charterer generally pays extra war risk insurance and commissions when the vessel is ordered by the charterer to enter a notified war exclusion trading area.

#### Protection and Indemnity Insurance

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I associations, which insure our third-party and crew liabilities in connection with our shipping activities. Coverage includes

third-party liability, crew liability and other related expenses resulting from the abandonment, injury or death of crew, passengers and other third parties, the loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by P&I associations. Subject to the limit for pollution discussed below, our coverage is nearly unlimited, but subject to the rules of the particular protection and indemnity insurer.



Our protection and indemnity insurance coverage for pollution is up to \$1.0 billion per vessel per incident. The 13 P&I associations that comprise the International Group insure approximately 90% of the world's commercial blue-water tonnage and have entered into a pooling agreement to reinsure each association's liabilities. As a member of a mutual P&I association, which is a member or affiliate of the International Group, we are subject to calls payable to the associations based on the International Group's claim records as well as the claim records of all other members of the individual associations.

#### Competition

We operate in markets that are highly competitive and based primarily on supply and demand. We compete for charters based upon price, customer relationships, operating and technical expertise, professional reputation and size, age and condition of the vessel.

Competition for providing new containerships for chartering purposes comes from a number of experienced shipping companies, including direct competition from other independent charter owners and indirect competition from state-sponsored and other major entities with their own fleets. Some of our competitors have significantly greater financial resources than we do and can operate larger fleets and may be able to offer better charter rates. An increasing number of marine transportation companies have entered the containership sector, including many with strong reputations and extensive resources and experience. This increased competition may cause greater price competition for time charters.

#### Seasonality

Our vessels primarily operate under long-term charters and are generally not subject to the effect of seasonal variations in demand, except where such charters have expired and we are seeking to re-charter a vessel on a short-term basis at then current market rates.

#### Inspection by Classification Societies

Every seagoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake the surveys on application or by official order, acting on behalf of the authorities concerned.

Each vessel is inspected by a surveyor of the classification society in three surveys of varying frequency and thoroughness: every year for annual surveys, every two to three years for intermediate surveys, and every five years for special surveys. If any defects are found, the classification surveyor will issue a "condition of class" or a "requirement" for appropriate repairs that have to be made by the shipowner within the time limit prescribed. Vessels may be required, as part of the annual and intermediate survey process, to be dry-docked for inspection of the underwater portions of the vessel and for necessary repair stemming from the inspection. Special surveys always require dry-docking. The classification society also undertakes on request other surveys and inspections that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case or to the regulations of the country concerned.

#### Environmental and Other Regulations

Government regulation significantly affects our business and the operation of our vessels. We are subject to international conventions and codes, and national, state, provincial and local laws and regulations in the jurisdictions in which our vessels operate or are registered, including, among others, those governing the generation, management and disposal of hazardous substances and wastes, the cleanup of oil spills and other contamination, air emissions and water discharges.

A variety of government, quasi-government and private entities require us to obtain permits, licenses or certificates for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or temporarily suspend the operation of one or more of our vessels in one or more ports.

Increasing environmental concerns have created a demand for vessels that conform to the strictest environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with United States, Canadian and international regulations and with flag state administrations.

The following is an overview of certain material governmental regulations that affect our business and the operation of our vessels. It is not a comprehensive summary of all government regulations to which we are subject.

#### International Maritime Organization (or IMO)

The IMO is the United Nations' agency for maritime safety. The IMO has negotiated international conventions that impose liability for pollution in international waters and a signatory's territorial waters. For example, the IMO's International Convention for the Prevention of Pollution from Ships, or MARPOL, imposes environmental standards on the shipping industry relating to, among other things, pollution prevention and procedures, technical standards, oil spills management, transportation of marine pollutants and air emissions. Annex VI of MARPOL, which regulates air pollution from vessels, sets limits on sulfur oxide, nitrogen oxide and particulate matter emissions from vessel exhausts and prohibits deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. We believe all of our vessels currently are Annex VI compliant. Annex VI also includes a global cap on the sulfur content of fuel oil with a lower cap on the sulfur content applicable inside Emission Control Areas, or ECAs. Already established ECAs include the Baltic Sea, the North Sea, including the English Channel, the North American area and the U.S. Caribbean Sea area. Additional geographical areas may be designated as ECAs in the future.

Annex VI calls for incremental reductions in sulfur in fuel between 2012 and 2020 (or 2015 in the case of ECAs), and the use of advanced technology engines designed to reduce emissions of nitrogen oxide, with a "Tier II" emission limit applicable to engines installed on or after January 1, 2011 and a more stringent "Tier III" emission limit applicable to engines installed on or after 2016 operating in the North American and U.S. Caribbean Sea nitrogen oxide ECAs. For future nitrogen oxide ECA designations, Tier III standards will apply to engines installed on ships constructed on or after the date of ECA designation, or a later date as determined by the country applying for the ECA designation. These amendments or other changes could require modifications to our vessels to achieve compliance, and the cost of compliance may be significant to our operations. With regard to greenhouse gas emissions, there have been discussions in the IMO for the adoption of a market-based mechanism for the reduction of carbon emissions from vessels, such as an emissions trading system or an international greenhouse gas contribution fund, with contributions being based on bunker fuel purchases. The IMO adopted technical and operational measures for the reduction of greenhouse gas emissions that became effective on January 1, 2013. These include the "Energy Efficiency Design Index," which is mandatory for newbuilding vessels, and the "Ship Energy Efficiency Management Plan," which is mandatory for all vessels.

The IMO's International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, imposes, subject to limited exceptions, strict liability on vessel owners for pollution damage in jurisdictional waters of ratifying states, which does not include the United States, caused by discharges of "bunker oil." The Bunker Convention also requires owners of registered vessels over a certain size to maintain insurance for pollution damage in an amount generally equal to the limits of liability under the applicable national or international limitation regime. We believe our vessels comply with the Bunker Convention.

The IMO's International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, would require the installation of ballast water treatment systems on certain newbuilding vessels for which the keel is or was laid after January 1, 2012 and for existing vessels prior to their first renewal survey after January 1, 2014 or January 1, 2016 (depending on their year of build and their ballast water capacity). The BWM Convention will become effective, on a retroactive basis, 12 months after it has been adopted by a specified threshold

of member states representing at least 35% of the world's shipping tonnage. As of January 2016, the threshold may have been met as the IMO is recounting the percentage of the world's shipping tonnage owned by the states that have ratified the BWM Convention to determine if the adoption threshold has been met for ratification of the BWM Convention. When the BWM Convention is adopted, we may be required to incur significant costs to install these ballast water treatment plants on all our vessels before the applicable due dates.

The IMO also regulates vessel safety. The International Safety Management Code, or the ISM Code, requires vessel owners and bareboat charterers to develop and maintain an extensive “Safety Management System” that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. A Safety Management Certificate is issued under the provisions of the International Convention for the Safety of Life at Sea, or SOLAS, to each vessel with a Safety Management System verified to be in compliance with the ISM Code. The failure of a vessel owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. All of the vessels in our fleet are ISM Code-certified.

Increasingly, various regions are adopting additional, unilateral requirements on the operation of vessels in their territorial waters. These regulations, such as those described below, apply to our vessels when they operate in the relevant regions’ waters and can add to operational and maintenance costs, as well as increase the potential liability that applies to violations of the applicable requirements.

#### United States

##### The United States Oil Pollution Act of 1990 and CERCLA

The United States Oil Pollution Act of 1990, or OPA, establishes an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. The Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, governs spills or releases of hazardous substances other than petroleum or petroleum products. Under OPA and CERCLA, vessel owners, operators and bareboat charterers are jointly and, subject to limited exceptions, strictly liable for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil or hazardous substances, as applicable, from their vessels. OPA and CERCLA define these damages broadly to include certain direct and indirect damages and losses, including but not limited to assessment of damages, remediation, damages to natural resources such as fish and wildlife habitat, and agency oversight costs.

Under OPA and CERCLA, the liability of responsible parties is limited to a specified amount, which is periodically updated. Under both OPA and CERCLA, liability is unlimited if the incident is caused by gross negligence, willful misconduct or a violation of certain regulations.

We maintain pollution liability coverage insurance in the amount of \$1 billion per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage it could harm our business, financial condition and results of operation. Vessel owners and operators must establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet their potential aggregate liabilities under OPA and CERCLA. Evidence of financial responsibility may be demonstrated by showing proof of insurance, surety bonds, self-insurance or guarantees. We have obtained the necessary U.S. Coast Guard regulation and financial assurance certificates for each of our vessels currently in service and trading to the United States. Owners or operators of certain vessels operating in U.S. waters also must prepare and submit to the U.S. Coast Guard a response plan for each vessel, which plan, among other things, must address a “worst case” scenario environmental discharge and describe crew training and drills to address any discharge. Each of our vessels has the necessary response plans in place.

OPA and CERCLA do not prohibit individual states from imposing their own liability regimes with regard to oil pollution or hazardous substance incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for spills. In some cases, states that have enacted such legislation have not yet issued implementing regulations defining vessel owners’ responsibilities under these laws. We intend to comply with all applicable state regulations in the ports where our vessels call.



## Clean Water Act

The Clean Water Act, or CWA, establishes the basic structure for regulating discharges of pollutants into the waters of the United States and regulating quality standards for surface waters. Under the CWA, it is unlawful to discharge any pollutant from a point source into navigable waters without a permit. The U.S. Environmental Protection Agency, or the EPA, requires certain vessels to comply with a Vessel General Permit, or VGP, before the vessel can legally operate and discharge wastewaters, including ballast water, in U.S. waters. We have submitted appropriate filings to obtain coverage under the VGP.

The current “2013 VGP” became effective on December 19, 2013 and expires on December 19, 2018. In addition to the ballast water best management practices required under the prior VGP, the 2013 VGP contains numerical technology-based ballast water effluent limitations that will apply to certain commercial vessels with ballast water tanks. For certain existing vessels, EPA has adopted a staggered implementation schedule to require vessels to meet the ballast water effluent limitations by the first dry-docking after January 1, 2014 or January 1, 2016, depending on the vessel size. Vessels that are constructed after December 1, 2013 are subject to the 2013 VGP ballast water numerical effluent limitations. The CWA authorizes civil and criminal penalties for discharging pollutants without a permit, failure to meet any requirement of a permit, and also allows for citizen suits against violators. The CWA does not prohibit individual states from imposing more stringent conditions, which many states have done. We comply with the 2013 VGP, and we do not currently believe that the costs associated with complying with its obligations have had or will have a material impact on our operations or financial results.

In addition, the Act to Prevent Pollution from Ships, or APPS, implements various provisions of MARPOL and applies to larger foreign-flag ships when operating in U.S. waters. The regulatory mechanisms established in APPS to implement MARPOL are separate and distinct from the CWA and other federal environmental laws. Civil and criminal penalties may be assessed under APPS for non-compliance.

## Additional Ballast Water Regulations

The United States National Invasive Species Act, or NISA, and the U.S. Coast Guard’s regulations enacted under NISA, impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering U.S. waters, including a limit on the concentration of living organisms in ballast water discharged in such waters. Newbuilding vessels constructed after December 1, 2013 are required to have a ballast water treatment system installed, and existing vessels are required to have a ballast water treatment system installed on the first scheduled dry-dock after January 1, 2016. Individual vessel implementation schedules have been extended in cases where vessel owners have demonstrated that compliance is not technologically feasible. As there are no U.S. Coast Guard approved ballast water treatment systems, all vessels who apply for an extension receive one. The U.S. Coast Guard regulations also require vessels to maintain a ballast water management plan that is specific for that vessel and assigns responsibility to the master or appropriate official to understand and execute the ballast water management strategy for that vessel. Individual U.S. states have also enacted laws to address invasive species through ballast water and hull cleaning management and permitting requirements. For the vessels that will be subject to the requirements, under CWA or otherwise, the estimated cost to fit a ballast water treatment system ranges from approximately \$0.4 million to \$0.5 million for a Panamax size vessel and below, and from approximately \$0.7 million to \$0.8 million for a post-Panamax size.

## Clean Air Act

The Clean Air Act, or the CAA, and its implementing regulations subject our vessels to vapor control and recovery requirements when cleaning fuel tanks and conducting other operations in regulated port areas and to air emissions standards for our engines while operating in U.S. waters. The EPA has adopted standards that apply to certain engines

installed on U.S. vessels and to marine diesel fuels produced and distributed in the United States. These standards, which are being implemented in two stages (effective in 2011 and 2016, respectively) are consistent with Annex VI of MARPOL and establish significant reductions for vessel emissions of particulate matter, sulfur oxides and nitrogen oxides.



The CAA also requires states to draft State Implementation Plans, or SIPs, designed to attain national health-based air quality standards in primarily major metropolitan and industrial areas. Several SIPs regulate emissions from degassing operations by requiring the installation of vapor control equipment on vessels. California has enacted regulations which apply to ocean-going vessels' engines when operating within 24 miles of the California coast and require operators to use low sulfur fuels. California also approved regulations to reduce emissions from diesel auxiliary engines on certain ocean-going vessels while in California ports, including container ship fleets that make 25 or more annual visits to California ports. These federal and state requirements may increase our capital expenditures and operating costs while in applicable ports. As with other U.S. environmental laws, failure to comply with the Clean Air Act may subject us to enforcement action, including payment of civil or criminal penalties and citizen suits.

#### Canada

Canada has established a complex regulatory enforcement system under the jurisdiction of various ministries and departments for preventing and responding to a marine pollution incident. The principal statutes of this system prescribe measures to prevent pollution, mandate remediation of marine pollution, and create civil, administrative and quasi-criminal liabilities for those responsible for a marine pollution incident.

#### Canada Shipping Act, 2001

The Canada Shipping Act, 2001, or CSA 2001, is Canada's primary legislation governing marine transport, pollution and safety. CSA 2001 applies to all vessels operating in Canadian waters and in the Exclusive Economic Zone of Canada. CSA 2001 requires shipowners to have in place an arrangement with an approved pollution response organization. Vessels must carry a declaration, which identifies the vessel's insurer and confirms that an arrangement with a response organization is in place. CSA 2001 also makes it a strict liability offense to discharge from a vessel a pollutant, including, among other things, oil. Vessels must have a shipboard oil pollution plan and implement the same in respect of an oil pollution incident. CSA 2001 provides the authorities with broad discretionary powers to enforce its requirements, and violations of CSA 2001 requirements can result in significant administrative and quasi-criminal penalties. CSA 2001 authorizes the detention of a vessel where there are reasonable grounds for believing that the vessel caused marine pollution or that an offense has been committed. Canada's Department of Transport has also enacted regulations on ballast water management under CSA 2001. These regulations require the use of management practices, including mid-ocean ballast water exchange. Each of our vessels is currently CSA 2001 compliant.

#### Canadian Environmental Protection Act, 1999

The Canadian Environmental Protection Act, or CEPA, regulates water pollution, including disposal at sea and the management of hazardous waste. CEPA prohibits the disposal or incineration of substances at sea except with a permit issued under CEPA, the importation or exportation of a substance for disposal at sea without a permit, and the loading on a ship of a substance for disposal at sea without a permit. Contravention of CEPA can result in administrative and quasi-criminal penalties, which may be increased if damage to the environment results and the person acted intentionally or recklessly. A vessel also may be seized or detained for contravention of CEPA's prohibitions. Costs and expenses of measures taken to remedy a condition or mitigate damage resulting from an offense are also recoverable. CEPA establishes liability to the Canadian government authorities that incur costs related to restoration of the environment, or to the prevention or remedying of environmental damage, or an environmental emergency. Limited defenses are provided but generally do not cover violations arising from ordinary vessel operations.

### Marine Liability Act

The Marine Liability Act, or MLA, is the principal legislation dealing with liability of shipowners and operators in relation to passengers, cargo, pollution and property damage. The MLA implements various international maritime conventions and creates strict liability for a vessel owner for damages from oil pollution from a ship, as well as for the costs and expenses incurred for clean-up and preventive measures. Both governments and private parties can pursue vessel owners for damages sustained or incurred as a result of such an incident. Although the act does provide some limited defenses, they are generally not available for spills or pollution incidents arising out of the routine operation of a vessel. The act limits the overall liability of a vessel owner to amounts that are determined by the tonnage of the containership. The MLA also provides for the creation of a maritime lien over foreign vessels for unpaid invoices to ship suppliers operating in Canada.

### Wildlife Protection

The Migratory Birds Convention Act, or MBCA, implements Canada's obligations under a bilateral treaty between the United States and Great Britain (on behalf of Canada) designed to protect migrating birds that cross North American land and water areas. The MBCA prohibits the deposit of any substance that is harmful to migratory birds in any waters or area frequented by migratory birds. A foreign vessel involved in a violation may be detained within Canada's Exclusive Economic Zone with the consent of the attorney general. The Fisheries Act prohibits serious harm to fish (which means causing the death of fish or the permanent alteration or destruction of fish habitat or the deposit of a deleterious substance in waters frequented by fish. The owner of a deleterious substance, the person having control of the substance and the person causing the spill must report the spill and must take all reasonable measures to prevent or remedy adverse effects resulting from a spill. The Species at Risk Act protects endangered aquatic species and migratory birds and their designated critical habitat. Violations of these Acts can be committed by a person or a vessel and may result in significant administrative and quasi-criminal penalties.

### British Columbia's Environmental Management Act

British Columbia's Environmental Management Act, or EMA, governs spills or releases of waste into the environment within the province in a manner or quantity that causes pollution. EMA imposes absolute, retroactive, joint and separate liability for remediation of a contaminated site. Provincial government authorities have powers to order remediation of contamination and any person, including, among others, the government, who incurs costs remediating contamination caused by others has a civil cause of action for cost recovery against the polluters. Significant administrative and quasi-criminal penalties can also be imposed under EMA if a person causes damage to the aquatic, ambient or terrestrial environment.

### China

Pursuant to new regulations that became effective January 1, 2012, prior to our vessels entering any ports in the People's Republic of China, or the PRC, we are required to enter into pollution clean-up agreements with pollution response companies approved by the PRC. Through a local agency arrangement, we have contracted with approved companies. These pollution clean-up agreements are not required if the vessel is only passing through PRC waters.

## European Union Requirements

In waters of the EU, our vessels are subject to regulation by EU-level directives implemented by the various nations through laws and regulations of these requirements. These laws and regulations prescribe measures, among others, to prevent pollution, protect the environment and support maritime safety. For instance, the EU has adopted directives that require member states to refuse access to their ports to certain sub-standard vessels, according to various factors, such as the vessel's condition, flag, and number of previous detentions. Member states must, among other things, inspect minimum percentages of vessels using their ports annually (based on an inspection "share" of the relevant member state of the total number of inspections to be carried out within the EU and the Paris Memorandum of Understanding on Port State Control region), inspect all vessels which are due for a mandatory inspection (based, among other things, on their type, age, risk profile and the time of their last inspection) and carry out more frequent inspections of vessels with a high risk profile. If deficiencies are found that are clearly hazardous to safety, health or the environment, the state is required to detain the vessel or stop loading or unloading until the deficiencies are addressed. Member states are also required to implement their own separate systems of proportionate penalties for breaches of these standards.

Our vessels are also subject to inspection by appropriate classification societies. Classification societies typically establish and maintain standards for the construction and classification of vessels, supervise that construction is according to these standards, and carry out regular surveys of ships in service to ensure compliance with the standards. The EU has adopted directives that provide member states with greater authority and control over classification societies, including the ability to seek to suspend or revoke the authority of classification societies that are negligent in their duties. The EU requires member states to monitor these organizations' compliance with EU inspection requirements and to suspend any organization whose safety and pollution prevention performance becomes unsatisfactory.

The EU's directive on the sulfur content of fuels restricts the maximum sulfur content of marine fuels used in vessels operating in EU member states' territorial seas, exclusive economic zones and pollution control zones. The directive provides for more stringent rules on maximum sulfur content of marine fuels applicable in specific Sulfur Emission Control Areas, or SECAs, such as the Baltic Sea and the North Sea, including the English Channel. Further sea areas may be designated as SECAs in the future by the IMO in accordance with Annex VI of MARPOL. Under this directive, we may be required to make expenditures to comply with the sulfur fuel content limits in the marine fuel our vessels use in order to avoid delays or other obstructions to their operations, as well as any enforcement measures which may be imposed by the relevant member states for non-compliance with the provisions of the directive. We also may need to make other expenditures (such as expenditures related to washing or filtering exhaust gases) to comply with relevant sulfur oxide emissions levels. Recently, a new directive of the European Parliament and the European Council entered into force, which amends the existing one to bring the above requirements in line with Annex VI of MARPOL. It also makes certain of these requirements more stringent. These and other related requirements may require additional capital expenditures and increase our operating costs.

Another EU directive requires member states to cooperate to detect pollution discharges and impose criminal sanctions for certain pollution discharges committed intentionally, recklessly or by serious negligence and to initiate proceedings against ships at their next port of call following the discharge. Penalties may include fines and civil and criminal penalties.

The EU also authorizes member states to adopt the IMO's Bunker Convention, discussed above, that imposes strict liability on shipowners for pollution damage caused by spills of oil carried as fuel in vessels' bunkers and requires vessels of a certain size to maintain financial security to cover any liability for such damage. Most EU member states have ratified the Bunker Convention.



The EU has recently adopted a regulation which sets forth rules relating to vessel recycling and management of hazardous materials on vessels. The new regulation contains requirements for the recycling of vessels at approved recycling facilities that must meet certain requirements, so as to minimize the adverse effects of recycling on human health and the environment. The new regulation also contains rules for the control and proper management of hazardous materials on vessels and prohibits or restricts the installation or use of certain hazardous materials on vessels. The new regulation seeks to facilitate the ratification of the IMO Recycling Convention. The new regulation applies to vessels flying the flag of a member state and certain of its provisions apply to vessels flying the flag of a third country calling at a port or anchorage of a member state. For example, when calling at a port or anchorage of a member state, a vessel flying the flag of a third country will be required, among other things, to have on board an inventory of hazardous materials which complies with the requirements of the new regulation and the vessels must be able to submit to the relevant authorities of that member state a copy of a statement of compliance issued by the relevant authorities of the country of the vessel's flag verifying the inventory. The new regulation is to apply not earlier than December 31, 2015 and not later than December 31, 2018, although certain of its provisions will begin to apply from December 31, 2014 and certain others from December 31, 2020.

The EU is currently considering other proposals to further regulate vessel operations. The EU has adopted an Integrated Maritime Policy for the purposes of achieving a more coherent approach to maritime issues through coordination between different maritime sectors and integration of maritime policies. The Integrated Maritime Policy has sought to promote the sustainable development of the European maritime economy and to protect the marine environment through cross-sector and cross-border cooperation of maritime participants. The EU Commission's proposals included, among other items, the development of environmentally sound end-of-life ship dismantling requirements, promotion of the use of shore-side electricity by ships at berth in EU ports to reduce air emissions, and consideration of options for EU legislation to reduce greenhouse gas emissions from maritime transport. The EU, any individual country or other legitimate authority may adopt additional legislation or regulations applicable to us and our operations.

#### Other Greenhouse Gas Legislation

In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change, or the Kyoto Protocol, became effective. Pursuant to the Kyoto Protocol, adopting countries are required to implement national programs to reduce emissions of greenhouse gases. More than 27 nations, including the United States, have entered into the Copenhagen Accord, which is non-binding but is intended to pave the way for a comprehensive, international treaty on climate change. The Paris Agreement was adopted in 2015. This agreement governs carbon dioxide reduction measures that go into effect in 2020 and seek to limit the global average temperature increase. International shipping was not included in this agreement.

The IMO, EU, Canada, the United States and other individual countries, states and provinces are evaluating various measures to reduce greenhouse gas emissions from international shipping, which may include some combination of market-based instruments, a carbon tax or other mandatory reduction measures. The EU recently adopted Regulation (EU) 2015/757 concerning the monitoring, reporting and verification of carbon dioxide emissions from vessels, or the MRV Regulation, which was published in the Official Journal on May 19, 2015 and went into effect on July 1, 2015. The MRV Regulation applies to all vessels over 5,000 gross tonnage (except for a few types, including, but not limited to, warships and fish catching or processing vessels), irrespective of flag, in respect of carbon dioxide emissions released during voyages within the EU as well as EU incoming and outgoing voyages. The first reporting period will commence on January 1, 2018. The monitoring, reporting and verification system adopted by the MRV Regulation may be the precursor to a market-based mechanism to be adopted in the future. Any passage of climate control legislation or other regulatory initiatives by the IMO, EU, Canada, the United States or other individual jurisdictions where we operate, that restrict emissions of greenhouse gases from vessels, could require us to make significant capital expenditures and may materially increase our operating costs.



## Other Regions

We may be subject to environmental and other regulations that have been or may become adopted in other regions of the world that may impose obligations on our vessels and may increase our costs to own and operate them. Compliance with these requirements may require significant expenditures on our part and may materially increase our operating costs.

## Vessel Security Regulations

Since September 2001, there have been a variety of initiatives intended to enhance vessel security. In November 2002, the Maritime Transportation Security Act of 2002, or the MTSA, came into effect. To implement certain portions of the MTSA, the United States Coast Guard has issued regulations requiring the implementation of certain security requirements aboard vessels operating in U.S. waters. Similarly, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security, which came into effect in July 2004. The new chapter imposes various detailed security obligations on vessels and port authorities, most of which are contained in the International Ship and Port Facilities Security Code, or ISPS Code. Among the various requirements are:

- on-board installation of automatic information systems, to enhance vessel-to-vessel and vessel-to-shore communications;
- on-board installation of ship security alert systems;
- the development of vessel security plans; and
- compliance with flag state security certification requirements.

The United States Coast Guard regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures if such vessels have on board a valid International Ship Security Certificate, that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code. Our existing vessels have implemented the various security measures addressed by the MTSA, SOLAS and the ISPS Code.

## Taxation of the Company

### United States Taxation

The following is a discussion of the expected material U.S. federal income tax considerations applicable to us. This discussion is based upon the provisions of the Code, applicable U.S. Treasury Regulations promulgated thereunder, legislative history, judicial authority and administrative interpretations, as of the date of this Annual Report, all of which are subject to change, possibly with retroactive effect or are subject to different interpretations. Changes in these authorities may cause the U.S. federal income tax considerations to vary substantially from those described below.

The following discussion is for general information purposes only and does not purport to be a comprehensive description of all of the U.S. federal income tax considerations applicable to us. No ruling has been requested from the IRS regarding any matter affecting us. The statements made herein may not be sustained by a court if contested by the IRS.

### Taxation of Operating Income

We expect that substantially all of our gross income will be attributable to the transportation of cargo. For this purpose, gross income attributable to transportation, or Transportation Income, includes income from the use (or hiring or leasing for use) of a vessel to transport cargo and the performance of services directly related to the use of

any vessel to transport cargo and, thus, includes time charter and bareboat charter income.

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Fifty percent (50%) of Transportation Income attributable to transportation that either begins or ends, but that does not both begin and end, in the United States, or U.S. Source International Transportation Income, is considered to be derived from sources within the United States. Transportation Income attributable to transportation that both begins and ends in the United States, or U.S. Source Domestic Transportation Income, is considered to be 100% derived from sources within the United States. Transportation Income attributable to transportation exclusively between non-U.S. destinations is considered to be 100% derived from sources outside the United States. Transportation Income derived from sources outside the United States generally is not subject to U.S. federal income tax.

We believe that we have not earned any U.S. Source Domestic Transportation Income, and we expect that we will not earn any such income in future years. However, certain of our activities give rise to U.S. Source International Transportation Income, and future expansion of our operations could result in an increase in the amount of our U.S. Source International Transportation Income. Unless the exemption from tax under Section 883 of the Code, or the Section 883 Exemption, applies, our U.S. Source International Transportation Income generally will be subject to U.S. federal income taxation under either the net basis and branch profits tax or the 4% gross basis tax, each of which is discussed below.

#### The Section 883 Exemption

In general, the Section 883 Exemption provides that if a non-U.S. corporation satisfies the requirements of Section 883 of the Code and the Treasury Regulations thereunder, or the Section 883 Regulations, it will not be subject to the net basis and branch profits taxes or the 4% gross basis tax described below on its U.S. Source International Transportation Income. The Section 883 Exemption does not apply to U.S. Source Domestic Transportation Income.

A non-U.S. corporation will qualify for the Section 883 Exemption if, among other things, it (a) is organized in a jurisdiction outside the United States that grants an exemption from tax to U.S. corporations on international Transportation Income, or an Equivalent Exemption, (b) satisfies one of three ownership tests, or Ownership Tests, described in the Section 883 Regulations and (c) meets certain substantiation, reporting and other requirements.

We are organized under the laws of the Republic of the Marshall Islands. The U.S. Treasury Department has recognized the Republic of the Marshall Islands as a jurisdiction that grants an Equivalent Exemption. We also believe that we will be able to satisfy all substantiation, reporting and other requirements necessary to qualify for the Section 883 Exemption. Consequently, our U.S. Source International Transportation Income will be exempt from U.S. federal income taxation provided we satisfy the Ownership Tests and provided we file a U.S. federal income tax return to claim the Section 883 Exemption. We believe that we currently should satisfy the Ownership Tests because our Class A common shares, our Series C preferred shares, our Series D preferred shares, and our Series E preferred shares are primarily and regularly traded on an established securities market in the United States (and are not treated as closely held) within the meaning of the Section 883 Regulations. We can give no assurance, however, that changes in the trading, ownership or value of our Class A common shares, our Series C preferred shares, our Series D preferred shares or our Series E preferred shares will permit us to continue to qualify for the Section 883 Exemption.

#### The Net Basis and Branch Profits Tax

If the Section 883 Exemption does not apply, our U.S. Source International Transportation Income may be treated as effectively connected with the conduct of a trade or business in the United States, or Effectively Connected Income, if we have a fixed place of business in the United States and substantially all of our U.S. Source International Transportation Income is attributable to regularly scheduled transportation or, in the case of bareboat charter income, is attributable to a fixed place of business in the United States.

We believe that we do not have a fixed place of business in the United States. As a result, we believe that none of our U.S. Source International Transportation Income would be treated as Effectively Connected Income. While we do not expect to acquire a fixed place of business in the United States, there is no assurance that we will not have, or will not be treated as having, a fixed place of business in the United States in the future, which may, depending on the nature of our future operations, result in our U.S. Source International Transportation Income being treated as Effectively Connected Income.

Any income we earn that is treated as Effectively Connected Income would be subject to U.S. federal corporate income tax (the highest statutory rate currently is 35%) and a 30% branch profits tax imposed under Section 884 of the Code. In addition, a 30% branch interest tax could be imposed on certain interest paid, or deemed paid, by us.

If we were to sell a vessel that has produced Effectively Connected Income, we generally would be subject to the net basis and branch profits taxes with respect to the gain recognized up to the amount of certain prior deductions for depreciation that reduced Effectively Connected Income. Otherwise, we would not be subject to U.S. federal income tax with respect to gain realized on the sale of a vessel, provided the sale is not considered to occur in the United States under U.S. federal income tax principles.

#### The 4% Gross Basis Tax

If the Section 883 Exemption does not apply and we are not subject to the net basis and branch profits taxes described above, we generally will be subject to a 4% U.S. federal income tax on our U.S. Source International Transportation Income without the benefit of deductions. We estimate that the U.S. federal income tax on such U.S. Source International Transportation Income would be approximately \$2 million if the Section 883 Exemption and the net basis and branch profits taxes do not apply, based on the amount of U.S. Source International Transportation Income we have earned in prior years. However, many of our time charter contracts contain provisions in which the charterers would be obligated to bear this cost. The amount of such tax for which we would be liable for in any year will depend upon the amount of income we earn from voyages into or out of the United States in such year, however, which is not within our complete control.

#### Canadian Taxation

Under the Income Tax Act (Canada), or the Canada Tax Act, a corporation that is resident in Canada is subject to tax in Canada on its worldwide income.

Our place of residence, under Canadian law, would generally be determined on the basis of where our central management and control are, in fact, exercised. It is not our current intention that our central management and control be exercised in Canada but, even if it were, there is a specific statutory exemption under the Canada Tax Act that provides that a corporation incorporated, or otherwise formed, under the laws of a country other than Canada will not be resident in Canada in a taxation year if its principal business in that year is “international shipping” (as defined below), all or substantially all of its gross revenue for that year consists of gross revenue from “international shipping,” and it was not granted articles of continuance in Canada before the end of that year. International shipping is defined as the operation of ships that are owned or leased by an operator and that are used primarily in transporting passengers or goods in international traffic, including the chartering of ships, provided that, one or more persons related to the operator (if the operator and each such person is a corporation), or persons or partnerships affiliated with the operator (in any other case), has complete possession, control and command of the ship. The leasing of a ship by a lessor to a lessee that has complete possession, control and command of the ship is excluded from the international shipping definition, unless the lessor or a corporation, trust or partnership affiliated with the lessor has an eligible interest in the lessee.

The definition of international shipping was introduced following industry consultation, with the intent of providing shipping companies with flexibility in the manner in which they structure their intra-group chartering contracts. Based on our operations and our understanding of the foregoing intention of the definition of international shipping, we do not believe that we are, nor do we expect to be, resident in Canada for purposes of the Canada Tax Act, and we intend that our affairs will be conducted and operated in a manner such that we do not become a resident of Canada under the Canada Tax Act. However, if we were or become resident in Canada, we would be or become subject under the Canada Tax Act to Canadian income tax on our worldwide income and our non-Canadian resident shareholders would

be or become subject to Canadian withholding tax on dividends paid in respect of our shares.

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Generally, a corporation that is not resident in Canada will be taxable in Canada on income it earns from carrying on a business in Canada and on gains from the disposition of property used in a business carried on in Canada. However, there are specific statutory exemptions under the Canada Tax Act that provide that income earned in Canada by a non-resident corporation from international shipping, and gains realized from the disposition of ships used principally in international traffic, are not included in the non-resident corporation's income for Canadian tax purposes where the corporation's country of residence grants substantially similar relief to a Canadian resident. A Canadian resident corporation that carries on an international shipping business, as described in the previous sentence, in the Republic of the Marshall Islands is exempt from income tax under the current laws of the Republic of the Marshall Islands.

Subject to the below assumption, we expect that we will qualify for these statutory exemptions under the Canada Tax Act. Based on our operations, we do not believe that we are, nor do we expect to be, carrying on a business in Canada for purposes of the Canada Tax Act other than a business that would provide us with these statutory exemptions from Canadian income tax. The foregoing is based upon the assumption that we are a resident of the Republic of the Marshall Islands. These statutory exemptions are contingent upon reciprocal treatment being provided under the laws of the Republic of the Marshall Islands. If in the future as a non-resident of Canada, we are carrying on a business in Canada that is not exempt from Canadian income tax, or these statutory exemptions are not accessible due to changes in the laws of the Republic of the Marshall Islands or otherwise, we would be subject to Canadian income tax on our non-exempt income earned in Canada which could reduce our earnings available for distribution to shareholders.

Certain of our subsidiaries are residents of Canada for purposes of the Canada Tax Act. These subsidiaries are subject to Canadian tax on their worldwide income, and we will be subject to Canadian withholding tax on dividends we will receive from those subsidiaries. Based on the nature and extent of the operations of these subsidiaries, we do not expect the amount of Canadian income and withholding tax to be significant in relation to our earnings.

#### C. Organizational Structure

Please read Exhibit 8.1 to this Annual Report for a list of our significant subsidiaries as of February 29, 2016.

#### D. Property, Plant and Equipment

For information on our fleet and new vessel contracts, please read "Item 4. Information on the Company—B. Business Overview—Our Fleet." Other than our vessels, we do not have any material property.

#### Item 4A. Unresolved Staff Comments

None.

## Item 5. Operating and Financial Review and Prospects

## A. General

## Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our consolidated financial statements and notes included elsewhere in this Annual Report.

## Overview

We are Seaspan Corporation, a Marshall Islands corporation that was incorporated on May 3, 2005. We are a leading independent charter owner and manager of containerships, which we charter primarily pursuant to long-term, fixed-rate time charters with major container liner companies. We primarily deploy our vessels on long-term, fixed-rate time charters to take advantage of the stable cash flow and high utilization rates that are typically associated with long-term time charters. As of February 29, 2016 we operated a fleet of 85 vessels and we have entered into contracts for the purchase of an additional nine newbuilding containerships, which have scheduled delivery dates through October 2017. Of our nine newbuilding containerships, seven will commence operation under long-term, fixed-rate charters upon delivery. We expect to enter into long-term time charter contracts for the remaining newbuilding containerships in the near future. The average age of the 85 vessels in our fleet was approximately eight years as of February 29, 2016.

Customers for our operating fleet as at February 29, 2016 were COSCON, CSCL Asia, HL USA, Hanjin, Hapag-Lloyd, K-Line, Maersk, MSC, MOL, PIL, Yang Ming Marine and ZIM. The customers for the additional seven newbuilding containerships that are under long-term, fixed-rate charters upon delivery are Maersk, MOL, Yang Ming Marine and MSC. Our primary objective is to continue to grow our business through accretive vessel acquisitions as market conditions allow. Please read "Item 4. Information on the Company—B. Business Overview—Our Fleet" for more information.

## 2015 Developments

## Vessel Deliveries

During the year ended December 31, 2015, we accepted delivery of six 14000 TEU and two 10000 TEU newbuilding containerships, bringing our operating fleet to a total of 85 vessels. The six 14000 TEU vessels were constructed at HHI and the two 10000 TEU vessels were constructed at Jiangsu Xinfu, in each case using our fuel-efficient SAVER design. The vessel deliveries are summarized below:

	Vessel Class			Delivery
Vessel	(TEU)	Length of Time Charter	Charterer	Date
MOL Beacon	10000	8 years + one 2-year option	MOL	March 2015
YM Wish	14000	10 years + one 2-year option	Yang Ming Marine	April 2015
YM Wellhead	14000	10 years + one 2-year option	Yang Ming Marine	April 2015
YM Winner	14000	10 years + one 2-year option	Yang Ming Marine	June 2015
YM Witness	14000	10 years + one 2-year option	Yang Ming Marine	June 2015
YM Wellness	14000	10 years + one 2-year option	Yang Ming Marine	August 2015
Maersk Guayaquil	10000	5 years + two 1-year options	Maersk	September 2015

YM Warmth      14000      10 years + one 2-year option      Yang Ming Marine      October 2015

### Newbuilding Containership Orders

On April 13, 2015, we entered into contracts with HHIC for the construction of five 11000 TEU newbuilding containerships for an aggregate purchase price of approximately \$467.5 million. These five vessels are scheduled for delivery throughout 2017 and each vessel will be on a 17-year charter with MSC, at the conclusion of which MSC will purchase each vessel for a pre-determined amount. Pursuant to our right of first refusal agreement with GCI, we retained three of the 11000 TEU newbuilding containerships and GCI acquired the remaining two vessels.

On April 27, 2015, we entered into contracts with Jiangsu Xinfu and New Jiangsu for the construction of two 10000 TEU newbuilding containerships for an aggregate purchase price of approximately \$186.0 million. These vessels are scheduled for delivery in 2017 and will be constructed using our fuel-efficient SAVER design. Pursuant to our right of first refusal agreement with GCI, we retained one of the 10000 TEU newbuilding containerships and GCI acquired the remaining vessel.

### Loan and Lease Facility Transactions

On March 11, 2015, we entered into financing arrangements with Asian special purpose companies to refinance three 4500 TEU containerships for total proceeds of \$150.0 million.

On March 24, 2015, we entered into a term loan facility for \$115.2 million to finance one 14000 TEU containership. The loan bears interest at LIBOR plus a margin.

On April 10, 2015, we entered into a term loan facility for up to \$195.0 million to finance two of our 14000 TEU newbuilding containerships. The facility bears interest at LIBOR plus a margin.

On April 22, 2015, we entered into a 364-day unsecured, revolving loan facility with various banks for up to \$200.0 million to be used to fund vessels under construction and for general corporate purposes. The facility bears interest at LIBOR plus a margin.

On April 24, 2015, we entered into a term loan facility for up to \$227.5 million to finance one of our 14000 TEU newbuilding containerships and two of our 10000 TEU newbuilding containerships. The facility bears interest at LIBOR plus a margin.

On May 28, 2015, August 12, 2015 and October 2, 2015, we entered into lease financing arrangements with special purpose companies, or the SPCs, for three 14000 TEU newbuilding vessels, the YM Winner, YM Wellness and YM Warmth, which delivered on June 5, 2015, August 17, 2015 and October 8, 2015, respectively. The lease financing arrangements provided gross financing proceeds of \$144.0 million upon delivery of each vessel, or \$432.0 million in total. Under the lease financing arrangements, we sold the vessels to the SPCs and leased the vessels back from the SPCs over an initial term of 9.5 years, with an option to purchase the vessels at the end of the lease term for a pre-determined fair value purchase price. If the purchase option is not exercised, the lease term will be automatically extended for an additional 2.5 years. The lease financing arrangements provide financing at market rates.

On September 18, 2015, we entered into a term loan facility for up to \$75.0 million to finance one 10000 TEU containership. The loan bears interest at LIBOR plus a margin.

In September 2015, we signed a Framework Cooperation Agreement with the Export-Import Bank of China, or CEXIM, for up to \$1.0 billion in export credit facilities which would be made available to us for the purchase and construction of vessels from shipyards in China within the next three years. The CEXIM credit facilities are subject to approvals by CEXIM, customary closing conditions and the execution of definitive documentation.



On December 9, 2015, we entered into a term loan facility for up to \$90.0 million to re-finance four 4250 TEU containerships. The loan bears interest at LIBOR plus a margin.

#### Common and Preferred Share Repurchase Plans

On April 1, 2015, we renewed our Rule 10b5-1 common share repurchase plan, which now expires in March 2018, for the repurchase of up to \$50.0 million of our Class A common shares. We repurchased 944,524 Class A common shares during the year ended December 31, 2015 under this plan.

In June 2015, our board of directors authorized the repurchase of up to \$150.0 million of our 9.5% Series C preferred shares. In September 2015, our board of directors authorized the repurchase of up to \$25.0 million of each of our 7.95% Series D preferred shares and 8.25% Series E preferred shares. In September 2015, we entered into Rule 10b5-1 repurchase plans for up to \$75.0 million of our Series C preferred shares and up to \$7.5 million for each of our Series D preferred shares and Series E preferred shares. The share repurchase plans for the preferred shares expired in December 2015. We repurchased 303,757 Series C preferred shares, 123,971 Series D preferred shares, and 29,400 Series E preferred shares under these plans during the year ended December 31, 2015.

In addition, during the year ended December 31, 2015, we repurchased 40,000 of our 9.5% Series C preferred shares at \$25.50 per share for a total of approximately \$1.0 million, including expenses, in the open market.

Please read “Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers” for additional information.

#### Results of Annual Meeting of Shareholders

We held our annual meeting of shareholders on April 24, 2015. In addition to electing Class I directors and ratifying the appointment of our auditors in the ordinary course, we held a vote on separate proposals to (a) amend our articles of incorporation to declassify the board of directors and provide for the annual election of the members of the board of directors, (b) amend our articles of incorporation to increase the size of the board of directors from nine to 11 directors and (c) amend our articles of incorporation and bylaws to reduce the supermajority voting requirements therein from 80% to 66-2/3%. Each of these proposals was approved by our shareholders.

#### Expiration of Shareholder Rights Plan

On July 24, 2015, our board of directors approved an extension of the expiration date of our amended and restated shareholder rights Agreement, dated April 19, 2011, from August 8, 2015 to November 6, 2015. The amended and restated shareholder rights agreement expired without renewal on November 6, 2015.

#### Market Conditions

The containership charter market was volatile during 2015, with time charter rates for benchmark 4000 TEU containerships declining from a high of nearly \$15,000 per day to approximately \$6,000 per day by the end of the year. Charter rates for these vessels remain below long-term historical averages due to a combination of factors, including continued low rates of growth in global container trade, which was approximately 1.7% in 2015, and the delivery of larger vessels that are causing a cascading effect as vessel classes previously serving long-haul trades are displaced. As an example, while the number of container vessels in the global fleet increased by only 118 vessels during 2015, the total global capacity of container vessels increased by approximately 8.5%, or over 1500000 TEU. The increase in the average size of containership vessels in the global fleet is driven by a desire for liners to reduce their fleet operating cost.

The current desire for large, cost-efficient containership vessels is evidenced by the fact that over 80% of the current containership orderbook is for vessels greater than 7500 TEU. Economies of scale in containership building mean that the cost per TEU in building large containerships is less than for vessels with smaller TEU capacity. The total newbuild price for a theoretical 6600 TEU containership, which peaked at \$108.0 million in the period June to September 2008, fell to \$58.0 million by the end of 2012, and then increased to approximately \$66.5 million as of the end of 2015.

#### B. Results of Operations

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Year Ended December 31, 2015 Compared with Year Ended December 31, 2014

The following discussion of our financial condition and results of operations is for the years ended December 31, 2015 and 2014. The consolidated financial statements have been prepared in accordance with U.S. GAAP and, except where otherwise specifically indicated, all amounts are expressed in U.S. dollars.

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The following table presents our operating results for the years ended December 31, 2015 and 2014.

Year Ended December 31,	2015	2014
Statement of operations data (in thousands of USD):		
Revenue	\$819,024	\$717,170
Operating expenses:		
Ship operating	193,836	166,097
Cost of services, supervision fees	1,950	-
Depreciation and amortization	204,862	181,527
General and administrative	27,338	30,462
Operating leases	40,270	9,544
Operating earnings	350,768	329,540
Other expenses (income):		
Interest expense	97,008	88,159
Interest income	(11,026 )	(10,653 )
Undrawn credit facility fee	3,100	3,109
Amortization of deferred charges	11,685	10,342
Refinancing expenses and costs	5,770	70
Change in fair value of financial instruments <sup>(1)</sup>	54,576	105,694
Equity income on investment	(5,107 )	(256 )
Other (income) expenses	(4,629 )	1,828
Net earnings	\$199,391	\$131,247
Common shares outstanding at year end:	98,622,160	96,662,928
Per share data (in USD):		
Basic earnings per Class A common share	\$1.46	\$0.80
Diluted earnings per Class A common share	1.46	0.79
Dividends paid per Class A common share	1.4700	1.3475
Statement of cash flows data (in thousands of USD):		
Cash flows provided by (used in):		
Operating activities	\$335,872	\$342,959
Financing activities <sup>(2)</sup>	394,527	73,621
Investing activities <sup>(2)</sup>	(716,634 )	(691,205 )
Net increase (decrease) in cash and cash equivalents	\$13,765	\$(274,625 )
Selected balance sheet data (at year end, in thousands of USD):		
Cash and cash equivalents	\$215,520	\$201,755
Vessels <sup>(3)</sup>	5,278,348	5,095,723
Other assets	615,292	597,915
Total assets	\$6,109,160	\$5,895,393
Current liabilities	\$425,489	\$416,937
Deferred revenue	2,730	7,343
Long-term debt	3,099,849	3,084,409
Other long-term liabilities	468,023	253,542

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Fair value of financial instruments	336,886	387,938		
Shareholders' equity	1,776,183	1,745,224		
Total liabilities and shareholders' equity	\$6,109,160	\$5,895,393		
Other data:				
Number of vessels in operation at year end	85	77		
Average age of fleet in years at year end	7.4	7.1		
TEU capacity at year end	578,300	474,300		
Average remaining initial term on outstanding charters	4.5	4.8		
Fleet utilization <sup>(4)</sup>	98.5	%	99.0	%

(1) All of our interest rate swap agreements and swaption agreements are marked to market and the changes in the fair value of these instruments are recorded in earnings.

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- (2) The cash flow data for 2014 has been recast to present non-cash debt draws as cash transactions, resulting in a reclassification between financing and investing activities. This reclassification, which is immaterial, had no impact on the consolidated statement of operations data.
- (3) Vessel amounts include the net book value of vessels in operation and vessels under construction.
- (4) Fleet utilization is based on number of operating days divided by the number of ownership days during the year. At the beginning of 2015, we had 77 vessels in operation. We accepted delivery of eight vessels during 2015, bringing our fleet to a total of 85 vessels as of December 31, 2015. During the year ended December 31, 2014, we accepted delivery of six vessels. Revenue is determined primarily by the number of operating days, and ship operating expense is determined primarily by the number of ownership days.

	Year Ended		Increase	
	December 31, 2015	December 31, 2014	Days	%
Operating days	27,717	25,157	2,560	10.2%
Ownership days	28,133	25,408	2,725	10.7%

## Financial Summary (in thousands of USD)

	Year Ended December		Change	
	31, 2015	2014	\$	%
Revenue	\$819,024	\$717,170	\$101,854	14.2 %
Ship operating expense	193,836	166,097	27,739	16.7 %
Depreciation and amortization expense	204,862	181,527	23,335	12.9 %
General and administrative				
expense	27,338	30,462	(3,124 )	(10.3 %)
Operating lease expense	40,270	9,544	30,726	321.9 %
Interest expense	97,008	88,159	8,849	10.0 %
Amortization of deferred charges	11,685	10,342	1,343	13.0 %
Refinancing expenses and costs	5,770	70	5,700	8142.9%
Change in fair value of financial				
instruments	54,576	105,694	(51,118 )	(48.4 %)
Equity income on investment	(5,107 )	(256 )	4,851	1894.9%

## Revenue

Revenue increased by 14.2% to \$819.0 million for the year ended December 31, 2015 from \$717.2 million in 2014. This increase is due primarily to the delivery of eight vessels in 2015 and a full year of contribution from the delivery of six vessels in 2014. These increases were partially offset by lower average charter rates for vessels which were on short-term charters and an increase in scheduled and unscheduled off-hire.

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The increase in operating days and the related financial impact for the year ended December 31, 2015 relative to 2014 is attributable to the following:

	Operating Days Impact	\$ Impact (in millions of USD)
2015 vessel deliveries	1,488	\$ 65.5
Full year contribution for 2014 deliveries	1,237	48.7
Change in daily charter hire rate and re-charters	—	(9.2 )
Scheduled off-hire	(134 )	(3.8 )
Unscheduled off-hire	(31 )	(2.2 )
Vessel management revenue	—	1.7
Supervision fee revenue	—	2.0
Other	—	(0.8 )
Total	2,560	\$ 101.9

Vessel utilization was 98.5% for the year ended December 31, 2015, compared to 99.0% for the prior year. The decrease in vessel utilization was primarily due to a 134-day increase in scheduled off-hire as a result of an increase in scheduled five-year dry-dockings and a 31-day increase in unscheduled off-hire. During the year ended December 31, 2015, we completed 26 scheduled dry-dockings, which resulted in 266 days of scheduled off-hire compared to the completion of 10 scheduled dry-dockings that resulted in 132 days of scheduled off-hire in the prior year. During the year ended December 31, 2015, there were 150 days of unscheduled off-hire, which included 73 off-charter days, compared to 119 days of unscheduled off-hire, which included 86 off-charter days, in the same period of 2014.

During the year ended December 31, 2015 we completed dry-dockings for 26 vessels:

Vessel Class (TEU)	Year Ended				December 31, 2015
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	
2500	1	1	—	—	2
4250	3	3	(1)2	4	(1)12
4500	—	—	—	4	4
8500	—	3	2	2	7
13100	—	—	—	1	1
	4	7	4	11	26

During the year ended December 31, 2014 we completed dry-dockings for 10 vessels:

Vessel Class (TEU)	Year Ended				December 31, 2014
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	
2500	—	1	1	—	2
4250	—	2	(1) —	—	2
8500	—	—	—	2	2
5100	—	1	—	3	4
	—	4	1	5	10

(1) Dry-docking for certain of these vessels was completed between their time charters.

#### Ship Operating Expense

Ship operating expense increased by 16.7% to \$193.8 million for the year ended December 31, 2015, compared to 2014. The increase in ship operating expense was due primarily to an increase in ownership and managed days of



10.7%, related to the delivery of eight vessels in 2015 and six vessels in 2014. In 2015, we also purchased more stores and spares and incurred higher repairs and maintenance expense for our older vessels. We expect ship operating expense to continue to increase as our fleet expands and ages and as the average size of our vessels increases.

#### Depreciation and Amortization Expense

Depreciation and amortization expense increased by 12.9% to \$204.9 million for the year ended December 31, 2015, compared to 2014. The increase in depreciation and amortization expense was due to the increase in fleet size from vessel deliveries in 2014 and 2015, write-offs of replaced vessel equipment and an increase in dry-dock amortization due to an increase in the number of vessels dry-docking.

## General and Administrative Expense

General and administrative expense decreased by 10.3% to \$27.3 million for the year ended December 31, 2015, compared to 2014. The decrease of \$3.1 million was primarily due to a \$4.9 million decrease in share-based compensation primarily relating to the grants of share appreciation rights and restricted stock units of \$4.2 million. This decrease was partially offset by increased costs relating to general corporate expenditures.

## Operating Lease Expense

Operating lease expense increased to \$40.3 million for the year ended December 31, 2015 from \$9.5 million in 2014. The increase was due primarily to the purchase of three vessels in 2014 and four vessels in 2015 that were financed through new lease financing arrangements. Under these lease financing arrangements, we sold the vessels to the SPCs and are leasing the vessels back over an initial term of approximately 8.5 or 9.5 years, with an option to purchase the vessels at the end of the lease term for a pre-determined fair value purchase price. If the purchase option is not exercised, the lease terms will be automatically extended for an additional two or 2.5 years. The sale of these seven vessels resulted in a deferred gain totaling \$174.8 million which is being recorded as a reduction of operating lease expense over 10.5 or 12 years, representing the initial lease term plus extensions.

## Interest Expense

The following table summarizes our borrowings:

(in millions of US dollars)	As at December 31,		Change	
	2015	2014	\$	%
Long-term debt	\$3,387.2	\$3,382.4	\$4.8	0.1 %
Other long-term liabilities, excluding deferred gains	342.8	214.5	128.3	59.8
Total borrowings	3,730.0	3,596.9	133.1	3.7
Less: Vessels under construction	(209.1 )	(282.0 )	72.9	25.9
Operating borrowings	\$3,520.9	\$3,314.9	\$206.0	6.2 %

Interest expense is comprised primarily of interest incurred on long-term debt and other long-term liabilities, excluding deferred gains, relating to operating vessels at either the variable rate calculated by reference to LIBOR plus the applicable margin or at fixed rates. Interest expense also includes a non-cash reclassification of amounts from accumulated other comprehensive loss related to previously designated hedging relationships. Interest incurred on long-term debt and other long-term liabilities for our vessels under construction is capitalized to the cost of the respective vessels under construction.

The increase in interest expense for the year ended December 31, 2015 of \$8.8 million, compared to 2014 primarily relates to vessels delivered in 2014 and 2015, as the interest incurred on these vessels in 2014 was capitalized to vessels under construction and the issuance of our fixed-rate senior unsecured notes issued in April 2014, which have a higher interest rate than our other borrowings. These increases were partially offset by repayment of a fixed-rate term loan in the second quarter of 2014, repayments made on operating borrowings, and the termination of the lease

financing structure related to five 4500 TEU vessels which were refinanced in December 2014 and March 2015.

Although we have entered into fixed interest rate swaps for much of our variable rate debt, the difference between the variable interest rate and the swapped fixed-rate on operating debt is recorded in our change in fair value of financial instruments rather than in interest expense.

#### Amortization of Deferred Charges

During the year ended December 31, 2015, amortization of deferred charges relating to our financing fees increased to \$11.7 million, from \$10.3 million in 2014, primarily due to amortization of financing fees associated with new facilities entered into in 2014 and 2015. To the extent that the amortization of the deferred financing fees related to our operating credit or lease facilities, the amortization is expensed while the amortization of the deferred financing fees relating to our construction facilities is capitalized to the related vessels under construction.

### Refinancing Expenses and Costs

During the year ended December 31, 2015, we incurred net refinancing expenses of \$5.8 million, compared to \$0.1 million in 2014. The costs in 2015 related to the termination and repayment of term loans. In 2014, we wrote-off deferred financing fees related to the repayment of a fixed-rate loan and recognized a net gain of \$3.8 million realized on the early termination of the lease financing structure related to five 4500 TEU vessels.

### Change in Fair Value of Financial Instruments

The change in fair value of financial instruments resulted in a loss of \$54.6 million for the year ended December 31, 2015, compared to a loss of \$105.7 million for 2014. The change in fair value was primarily due to decreases in the forward LIBOR curve for instruments with terms greater than four years and the effect of the passage of time. The fair value of interest rate swap and swaption agreements is subject to change based on our company-specific credit risk and that of the counterparty 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 current information available to us. These factors are expected to change through the life of the instruments, causing the fair value to fluctuate significantly due to the large notional amounts and long-term nature of our derivative instruments. As these factors may change, the fair value of the instruments is an estimate and may deviate significantly from the actual cash settlements realized over the term of the instruments. Our valuation techniques have not changed and they remain consistent with those followed by other valuation practitioners.

The fair value of our interest rate swaps is most significantly impacted by changes in the yield curve. Based on the current notional amount and tenor of our interest rate swap portfolio, a one percent parallel shift in the overall yield curve is expected to result in a change in the fair value of our interest rate swaps of approximately \$77.0 million. Actual changes in the yield curve are not expected to occur equally at all points and changes to the curve may be isolated to periods of time. This steepening or flattening of the yield curve may result in greater or lesser changes to the fair value of our financial instruments in a particular period than would occur had the entire yield curve changed equally at all points.

The fair value of our interest rate swaps is also impacted by changes in our company-specific credit risk included in the discount factor. We discount our derivative instruments with reference to the publicly-traded bond yields for our comparator group in the shipping industry and composite Bloomberg industry yield curves. Based on the current notional amount and tenor of our swap portfolio, a one percent change in the discount factor is expected to result in a change in the fair value of our interest rate swaps of approximately \$9.0 million.

All of our interest rate swap and swaption agreements were marked to market with all changes in the fair value of these instruments recorded in “Change in fair value of financial instruments” in the Statement of Operations.

Please read “Item 11. Quantitative and Qualitative Disclosures About Market Risk” for further discussion.

### Equity Income on Investment

We had a 10.8% investment in GCI, which invests equity capital in containership assets strategic to Greater China. We agreed to make a minority investment in GCI of up to \$100.0 million during the investment period, which is anticipated to be until March 2016. The equity income of \$5.1 million for the year ended December 31, 2015 represents our share of income in GCI. Our equity income in 2014 was \$0.3 million.

Year Ended December 31, 2014 Compared with Year Ended December 31, 2013

The following discussion of our financial condition and results of operations is for the years ended December 31, 2014 and 2013. The consolidated financial statements have been prepared in accordance with U.S. GAAP and, except where otherwise specifically indicated, all amounts are expressed in U.S. dollars.

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The following table presents our operating results for the years ended December 31, 2014 and 2013.

Year Ended December 31,	2014	2013
Statement of operations data (in thousands of USD):		
Revenue	\$717,170	\$677,090
Operating expenses:		
Ship operating	166,097	150,105
Depreciation and amortization	181,527	172,459
General and administrative	30,462	34,783
Operating leases	9,544	4,388
Operating earnings	329,540	315,355
Other expenses (income):		
Interest expense	88,159	60,496
Interest income	(10,653 )	(2,045 )
Undrawn credit facility fee	3,109	2,725
Amortization of deferred charges	10,342	9,477
Refinancing expenses and costs	70	4,038
Change in fair value of financial instruments <sup>(1)</sup>	105,694	(60,504 )
Equity (income) loss on investment	(256 )	670
Other expenses	1,828	1,470
Net earnings	\$131,247	\$299,028
Common shares outstanding at year end:	96,662,928	69,208,888
Per share data (in USD):		
Basic earnings per Class A common share	\$0.80	\$3.36
Diluted earnings per Class A common share	0.79	2.93
Dividends paid per Class A common share	1.3475	1.1880
Statement of cash flows data (in thousands of USD):		
Cash flows provided by (used in):		
Operating activities	\$342,959	\$327,669
Financing activities <sup>(2)</sup>	73,621	62,491
Investing activities <sup>(2)</sup>	(691,205 )	(295,158 )
Net increase (decrease) in cash and cash equivalents	\$(274,625 )	\$95,002
Selected balance sheet data (at year end, in thousands of USD):		
Cash and cash equivalents	\$201,755	\$476,380
Vessels <sup>(3)</sup>	5,095,723	4,992,271
Other assets	597,915	479,110
Total assets	\$5,895,393	\$5,947,761
Current liabilities	\$416,937	\$520,406
Deferred revenue	7,343	4,143
Long-term debt	3,084,409	2,853,459
Other long-term liabilities	253,542	572,673
Fair value of financial instruments	387,938	425,375
Shareholders' equity	1,745,224	1,571,705
Total liabilities and shareholders' equity	\$5,895,393	\$5,947,761

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Other data:			
Number of vessels in operation at year end	77		71
Average age of fleet in years at year end	7.1		6.7
TEU capacity at year end	474,300		414,300
Average remaining initial term on outstanding charters	4.8		5.5
Fleet utilization <sup>(4)</sup>	99.0	%	98.0 %

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(1) All of our interest rate swap agreements and swaption agreements are marked to market and the changes in the fair value of these instruments are recorded in earnings.

(2) The cash flow data for 2014 has been recast to present non-cash draws as cash transactions, resulting in a reclassification between financing and investing activities. This reclassification, which is immaterial, had no impact on the consolidated statement of operations data.

(3) Vessel amounts include the net book value of vessels in operation and vessels under construction.

(4) Fleet utilization is based on number of operating days divided by the number of ownership days during the year. At the beginning of 2014, we had 71 vessels in operation. We accepted delivery of six vessels during 2014, bringing our fleet to a total of 77 vessels as of December 31, 2014. During the year ended December 31, 2013, we accepted delivery of two secondhand vessels. Revenue is determined primarily by the number of operating days, and ship operating expense is determined primarily by the number of ownership days.

	Year Ended		Increase	
	December 31,		Days	
	2014	2013	Days	%
Operating days	25,157	23,632	1,525	6.5 %
Ownership days	25,408	24,109	1,299	5.4 %

#### Financial Summary (in thousands of USD)

	Year		Change	
	Ended December			
	31,		\$	%
	2014	2013		
Revenue	\$717,170	\$677,090	\$40,080	5.9 %
Ship operating expense	166,097	150,105	15,992	10.7 %
Depreciation and amortization expense	181,527	172,459	9,068	5.3 %
General and administrative				
expense	30,462	34,783	(4,321 )	(12.4 )%
Operating lease expense	9,544	4,388	5,156	117.5 %
Interest expense	88,159	60,496	27,663	45.7 %
Amortization of deferred charges	10,342	9,477	865	9.1 %
Refinancing expenses and costs	70	4,038	(3,968 )	(98.3 )%
Change in fair value of financial				
instruments	105,694	(60,504 )	166,198	274.7 %
Equity (income) loss on investment	(256 )	670	(926 )	(138.2)%

#### Revenue

Revenue increased by 5.9% to \$717.2 million for the year ended December 31, 2014 over 2013. This increase is due primarily to the delivery of six 10000 TEU vessels in 2014, a full year of contribution from the delivery of two 4600



TEU secondhand vessels in mid-2013 and a decrease in unscheduled off-hire. These increases were partially offset by lower average charter rates for three of our vessels which were on short-term charters during the year ended December 31, 2014, an increase in scheduled off-hire and a decrease in vessel management revenue.

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The increase in operating days and the related financial impact for the year ended December 31, 2014 relative to 2013 is attributable to the following:

	Operating Days Impact	\$ Impact (in millions of USD)
2014 vessel deliveries	952	\$ 39.4
Full year contribution for 2013 secondhand vessel deliveries	347	6.8
Change in daily charter hire rate and re-charters	—	(3.8 )
Scheduled off-hire	(84 )	(2.7 )
Unscheduled off-hire	310	3.4
Vessel management revenue	—	(2.1 )
Other	—	(0.9 )
Total	1,525	\$ 40.1

Vessel utilization was 99.0% for the year ended December 31, 2014, compared to 98.0% for the prior year. The increase in vessel utilization was primarily due to a 310-day decrease in unscheduled off-hire. During the year ended December 31, 2014, there were 119 days of unscheduled off-hire, which included 86 off-charter days, compared to 429 days of unscheduled off-hire, which included 386 off-charter days for six 4250 TEU vessels in 2013. During the year ended December 31, 2014, we completed 10 scheduled dry-dockings, which resulted in 132 days of scheduled off-hire compared to the completion of five scheduled dry-dockings that resulted in 48 days of scheduled off-hire in the prior year.

During the year ended December 31, 2014 we completed dry-dockings for 10 vessels:

Vessel Class (TEU)	Year Ended				December 31, 2014
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	
2500	—	1	1	—	2
4250	—	2	(1)	—	2
8500	—	—	—	2	2
5100	—	1	—	3	4
	—	4	1	5	10

During the year ended December 31, 2013 we completed dry-dockings for five vessels:

Vessel Class (TEU)	Year Ended				December 31, 2013
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	

2500	— 2	3	— 5
	— 2	3	— 5

Our cumulative vessel utilization since our initial public offering in August 2005 through December 31, 2014 was approximately 99.0%, or 99.3% if the impact of off-charter days is excluded.

#### Ship Operating Expense

Ship operating expense increased by 10.7% to \$166.1 million for the year ended December 31, 2014, compared to 2013. The increase in ship operating expense was due primarily to an increase in ownership and managed days of 5.4%, related to the delivery of six 10000 TEU vessels in 2014 and two 4600 TEU vessels in mid-2013.

Ship operating expense also rose due to increases in crew wages that occurred in the third quarter of 2013 and in the first quarter of 2014. In 2014, we purchased more stores and spares and incurred higher repairs and maintenance expense for our older vessels. We also incurred higher ship management infrastructure costs to support our expanding fleet. We expect ship operating expense to increase as our fleet expands and ages and as the average size of our vessels increases.

### Depreciation and Amortization Expense

Depreciation and amortization expense increased by 5.3% to \$181.5 million for the year ended December 31, 2014, compared to 2013. The increase in depreciation and amortization expense was due to the increase in the size of the fleet from the 2014 deliveries and a full period of depreciation was taken for two secondhand vessels that delivered during 2013.

### General and Administrative Expense

General and administrative expense decreased by 12.4% to \$30.5 million for the year ended December 31, 2014, compared to 2013. The decrease of \$4.3 million was primarily due to a net reduction in stock-based compensation expense of \$6.3 million. The majority of this reduction was due to a decrease in non-cash stock appreciation rights, or SARs, expense of \$7.2 million, partially offset by an increase in other non-cash stock-based awards of \$0.9 million. During 2013, \$2.6 million of accelerated stock-based compensation was recognized relating to the vesting of the first tranche of SARs. These decreases were partially offset by increases in executive compensation and general corporate expenses of \$2.0 million, which included costs relating to the evaluation of strategic options for our investment in GCI.

### Operating Lease Expense

Operating lease expense increased to \$9.5 million for the year ended December 31, 2014 from \$4.4 million in 2013. The increase was due primarily to financing the purchase of three 10000 TEU vessels through new lease financing arrangements in July, October and November 2014. Under these lease financing arrangements, we sold the vessels to the SPCs and are leasing the vessels back over an initial term of approximately 8.5 years, with an option to purchase the vessels at the end of the lease term for a pre-determined fair value purchase price. If the purchase option is not exercised, the lease term will be automatically extended for an additional two years. Upon the sale of these vessels, there was a deferred gain of \$59.1 million that is being recorded as a reduction of operating leases expense over 10.5 years, representing the initial lease term of 8.5 years plus the two year extension. These new lease financing arrangements are in addition to the Madinah, which we sold to a U.S. bank on June 27, 2012 and since that date we have been leasing the vessel back over a nine-year term. Prior to June 27, 2012, we owned the Madinah and financed it with a term loan of \$53.0 million, which was repaid using the proceeds from the sale to the bank.

### Interest Expense

The following table summarizes our borrowings:

(in millions of US dollars)	As at December 31,		Change	
	2014	2013	\$	%
Long-term debt	\$3,382.4	\$3,241.6	\$140.8	4.3 %
Other long-term liabilities, excluding deferred gains	214.5	611.6	(397.1)	(64.9)
Total borrowings	3,596.9	3,853.2	(256.3)	(6.7 )
Less: Vessels under construction	(282.0 )	(321.4 )	39.4	12.3
Operating borrowings	\$3,314.9	\$3,531.8	\$(216.9)	(6.1 )%

Interest expense is comprised primarily of interest incurred on long-term debt and other long-term liabilities, excluding deferred gains, relating to operating vessels at either the variable rate calculated by reference to LIBOR plus

the applicable margin or at fixed rates. Interest expense also includes a non-cash reclassification of amounts from accumulated other comprehensive loss related to previously designated hedging relationships. Interest incurred on long-term debt and other long-term liabilities for our vessels under construction is capitalized to the cost of the respective vessels under construction.

The increase in interest expense for the year ended December 31, 2014 of \$27.7 million, compared to 2013 was primarily due to an increase in the cost of borrowings. The increase in the cost of borrowings were due to the refinancing of our \$1.0 billion credit facility in January 2014 at a higher margin than under the original facility, certain of our term loans which have higher margins than the facilities outstanding for the comparative prior periods and our Notes that were issued in April 2014 which have higher interest rates than our other borrowings.

Although we have entered into fixed interest rate swaps for much of our variable rate debt, the difference between the variable interest rate and the swapped fixed-rate on operating debt is recorded in our change in fair value of financial instruments rather than in interest expense.

#### Amortization of Deferred Charges

During the year ended December 31, 2014, amortization of deferred charges relating to our financing fees increased to \$10.3 million, from \$9.5 million in 2013, primarily due to amortization of financing fees associated with new facilities entered in 2014. Financing fees on credit facilities and leases are deferred and amortized using the effective interest rate method over the term of the facility based on amounts available under the facility or over the term of the underlying obligation. To the extent that the amortization of the deferred financing fees related to our operating credit facilities, the amortization is expensed while the amortization of the deferred financing fees relating to our construction facilities is capitalized to the related vessels under construction.

#### Refinancing Expenses and Recoveries

During the year ended December 31, 2014, we incurred net refinancing expenses of \$0.1 million, compared to \$4.0 million in 2013. The costs in 2014 were primarily related to the repayment of a \$125.0 million credit facility, partially offset by a net gain of \$3.8 million realized on the early termination of the lease financing structure related to five 4500 TEU vessels. The costs in 2013 related to refinancing our \$1.0 billion credit facility.

#### Change in Fair Value of Financial Instruments

The change in fair value of financial instruments resulted in a loss of \$105.7 million for the year ended December 31, 2014, compared to a gain of \$60.5 million for 2013. The change in fair value was primarily due to decreases in the forward LIBOR curve for instruments with terms greater than eight years and the effect of the passage of time. The fair value of interest rate swap and swaption agreements is subject to change based on our company-specific credit risk and that of the counterparty 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 current information available to us. These factors are expected to change through the life of the instruments, causing the fair value to fluctuate significantly due to the large notional amounts and long-term nature of our derivative instruments. As these factors may change, the fair value of the instruments is an estimate and may deviate significantly from the actual cash settlements realized over the term of the instruments. Our valuation techniques have not changed and they remain consistent with those followed by other valuation practitioners.

The fair value of our interest rate swaps is most significantly impacted by changes in the yield curve. Based on the current notional amount and tenor of our interest rate swap portfolio, a one percent parallel shift in the overall yield curve is expected to result in a change in the fair value of our interest rate swaps of approximately \$93.0 million. Actual changes in the yield curve are not expected to occur equally at all points and changes to the curve may be isolated to periods of time. This steepening or flattening of the yield curve may result in greater or lesser changes to the fair value of our financial instruments in a particular period than would occur had the entire yield curve changed equally at all points.

The fair value of our interest rate swaps is also impacted by changes in our company-specific credit risk included in the discount factor. We discount our derivative instruments with reference to the publicly-traded bond yields for our comparator group in the shipping industry and composite Bloomberg industry yield curves. Based on the current notional amount and tenor of our swap portfolio, a one percent change in the discount factor is expected to result in a change in the fair value of our interest rate swaps of approximately \$11.0 million.

All of our interest rate swap and swaption agreements were marked to market with all changes in the fair value of these instruments recorded in “Change in fair value of financial instruments” in the Statement of Operations.

Please read “Item 11. Quantitative and Qualitative Disclosures About Market Risk” for further discussion.

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## Equity Income/Loss on Investment

We had a 10.8% investment in GCI, which invests equity capital in containership assets strategic to Greater China. We agreed to make a minority investment in GCI of up to \$100.0 million during the investment period, which is anticipated to be until March 2016. The equity income of \$0.3 million for the year ended December 31, 2014 represents our share of income in GCI. Our equity loss in 2013 was \$0.7 million.

## C. Liquidity and Capital Resources

### Liquidity and Cash Needs

At December 31, 2015, our cash and cash equivalents and short-term investments totaled \$218.9 million. Our primary short-term liquidity needs are to fund our operating expenses, debt repayments, lease payments, open market repurchases of our common shares, payment of our quarterly dividends, the purchase of the containerships we have contracted to build and the potential redemption of our Series C preferred shares. The Series C preferred shares carry an annual dividend rate of 9.5% per \$25.00 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. Our medium-term liquidity needs primarily relate to the purchase of the containerships we have contracted to build, debt repayments, lease payments and open market repurchases of common shares. Our long-term liquidity needs primarily relate to potential future vessel acquisitions, debt repayments, lease payments, open market repurchases of common shares and the future potential redemption of our Series D preferred shares, Series E preferred shares and our Notes. The Series D preferred shares carry an annual dividend rate of 7.95% per \$25.00 of liquidation preference per share and the Series D preferred shares are redeemable by us at any time on or after January 30, 2018. The Series E preferred shares carry an annual dividend rate of 8.25% per \$25.00 of liquidation preference per share and are redeemable by us at any time on or after February 13, 2019.

We anticipate that our primary sources of funds for our short and medium-term liquidity needs will be our committed financings, new credit facilities, new lease obligations, additional equity offerings as well as our cash from operations, while our long-term sources of funds will be from cash from operations and debt or equity financings. As of February 29, 2016, the estimated remaining installments on the nine vessels we had contracted to purchase was approximately \$667.1 million, which we expect to fund primarily from our existing and future credit facilities, future lease facilities, cash from operations and proceeds from additional equity offerings. Future debt or equity issuances may be considered for growth.

Our dividend policy impacts our future liquidity needs. Since our initial public offering, our board of directors adopted a dividend policy to pay a regular quarterly dividend on our Class A common shares while reinvesting a portion of our operating cash flow in our business. Retained cash may be used to, among other things, fund vessel or fleet acquisitions, other capital expenditures, debt repayments, lease payments, and open market repurchases of securities, as determined by our board of directors. This dividend policy reflects our judgment that by retaining a portion of our cash in our business over the long-term, we will be able to provide better value to our shareholders by enhancing our longer term dividend paying capacity. In February 2011, our board of directors adopted a dividend policy aimed at increasing our dividends on our Class A common shares in a controlled and sustainable manner that preserves our long-term financial strength and ability to expand our fleet. We expect this policy to increase dividends paid to holders of our Class A common shares over time. For more information, please read “Item 8. Financial Information—A. Financial Statements and Other Financial Information—Dividend Policy.”



## Financing Facilities

The following table summarizes our long-term debt and lease obligations as of December 31, 2015. In addition, our long-term debt and lease obligations are described in notes 8 and 9, respectively, within our consolidated financial statements included in this Annual Report.

	Amount	Amount	Amount
	Outstanding <sup>(1)</sup>	Committed	Available
	(millions)	(millions)	(millions)
<b>Long-Term Debt</b>			
Revolving credit facilities <sup>(2)</sup>	\$ 1,057.1	\$ 1,227.1	\$ 170.0
Term loan credit facilities	1,985.1	2,216.4	231.3
Senior unsecured notes	345.0	345.0	—
<b>Total Long-Term Debt</b>	<b>3,387.2</b>	<b>3,788.5</b>	<b>401.3</b>
<b>Lease Facilities</b>			
COSCO Faith – 13100 TEU vessel (non-recourse to Seaspan Corporation)			
	83.4	83.4	—
COSCO Pride – 13100 TEU vessel (non-recourse to Seaspan Corporation)			
	116.4	116.4	—
Leases for three 4500 TEU vessels	143.0	143.0	—
<b>Total Lease Facilities</b>	<b>342.8</b>	<b>342.8</b>	<b>—</b>
<b>Total Long-Term Debt and Lease Facilities<sup>(3)</sup></b>	<b>\$ 3,730.0</b>	<b>\$ 4,131.3</b>	<b>\$ 401.3</b>

<sup>(1)</sup>Includes amounts owed by wholly-owned subsidiaries of Seaspan Corporation which are non-recourse to Seaspan Corporation.

<sup>(2)</sup>Includes a \$5.0 million line of credit which was undrawn as at December 31, 2015.

<sup>(3)</sup>At December 31, 2015, our operating borrowings were \$3.5 billion (2014 — \$3.3 billion). The remaining amount of our borrowings related to the construction of newbuilding vessels.

## 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 73 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 assignments of management agreements for the vessels.

As of December 31, 2015, our revolving credit facilities, term loan credit facilities and our Notes provided for borrowings of up to approximately \$3.8 billion, of which approximately \$3.4 billion was outstanding and \$401.0 million was available to be drawn by us. Interest payments on the revolving credit facilities are based on LIBOR plus margins, which ranged between 0.5% and 1.25% as of December 31, 2015. We may prepay certain loans under our revolving credit facilities without penalty, other than breakage costs and opportunity costs in certain circumstances.

We are required to prepay a portion of the outstanding loans under certain circumstances, such as the sale or loss of a vessel where we do not substitute another appropriate vessel. Amounts prepaid in accordance with these provisions may be re-borrowed, subject to certain conditions.

Interest payments on our term loans are based on either LIBOR plus margins, which ranged between 0.4% and 4.8% as of December 31, 2015 or, for a portion of one of our term loans, the commercial interest reference rate of KEXIM plus a margin, which was 0.7% as of December 31, 2015. We may prepay all term loans without penalty, other than breakage costs in certain circumstances and in one case a prepayment fee under certain circumstances. We are required to prepay a portion of the outstanding loans under certain circumstances, including the sale or loss of a vessel if we do not substitute another appropriate vessel. Amounts prepaid in accordance with these provisions may not be re-borrowed.

## Our Notes

Our Notes mature on April 30, 2019 and bear interest at a fixed rate of 6.375% per year, payable quarterly in arrears. In the event of certain changes in withholding taxes, at our option, we may redeem our Notes in whole, but not in part, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest, if any.

## Our Lease Facilities

We use our lease facilities to finance the construction and acquisition of vessels. Our lease facilities, which do not include our operating leases, are provided by bank financial leasing owners who own our five leased vessels. These banks are also granted other related security, such as assignments of time charters and earnings for the vessels, assignments of insurances for the vessels and assignments of management agreements for the vessels.

At December 31, 2015, we had lease and other long-term obligations of approximately \$342.8 million. Under our lease agreements, subject to payment of a termination fee in certain circumstances, we may voluntarily terminate a lease agreement. We are also required to prepay rental amounts, broken funding costs and other costs to the lessor in certain circumstances.

## Certain Terms under our Long-Term Debt and Lease Facilities

We are subject to customary conditions before we may borrow under our credit and lease facilities, including, among others, that no event of default is outstanding and that there has been no material adverse change in our ability to make all required payments under the facilities.

Our credit and lease facilities also contain various covenants limiting our ability to, among other things:

- allow liens to be placed on the collateral securing the facility;
- enter into mergers with other entities;
- conduct material transactions with affiliates; or
  - change the flag, class or management of the vessels securing the facility.

Our credit and lease facilities also contain certain financial covenants, including, among others, that require Seaspan Corporation to maintain minimum tangible net worth, interest coverage ratios, interest and principal coverage ratios, and debt to assets ratios, as defined. We were in compliance with these covenants as at December 31, 2015. We are also subject to similar financial covenants in our Notes.

## Cash Flows

The following table summarizes our sources and uses of cash for the years presented:

Year Ended December 31,			
(in thousands of USD)	2015	2014	2013
Net cash flow from operating activities	\$335,872	\$342,959	\$327,669
Net cash flow from financing activities	394,527	73,621	62,491
Net cash flow used in investing activities	(716,634)	(691,205)	(295,158)

## Operating Cash Flows

Net cash flows from operating activities were \$335.9 million for the year ended December 31, 2015, a decrease of \$7.1 million compared to 2014. The decrease in net cash flows from operating activities for the year ended December 31, 2015, compared to the prior year, was primarily due to a decrease in cash related to working capital of \$37.9 million, partially offset by an increase in net earnings, excluding non-cash items, of \$30.8 million. The decreases in cash related to working capital resulted primarily from timing differences, which are in the normal course of our operations. The increase in net earnings, excluding non-cash items, was primarily due to an increase in revenue and a decrease in general and administrative expense, partially offset by an increase in operating lease expenses, ship operating expense, interest expense and refinancing expenses and costs.

Net cash flows from operating activities were \$343.0 million for the year ended December 31, 2014, an increase of \$15.3 million compared to 2013. The increase in net cash flows from operating activities for the year ended December 31, 2014, compared to the prior year, was primarily due to an increase in net earnings, excluding non-cash items, of \$14.4 million, and an increase in cash related to working capital of \$0.9 million. The increase in net earnings, excluding non-cash items, was primarily due to an increase in revenue and interest income, partially offset by an increase in ship operating expense and interest expense. The increase in cash related to working capital resulted primarily from timing differences, which are in the normal course of our operations.

For further discussion of changes in revenue and expenses, please read “Results of Operations.”

#### Financing Cash Flows

Net cash flows from financing activities were \$394.5 million for the year ended December 31, 2015, an increase in cash from financing activities of \$320.9 million, compared to 2014. The increase in cash from financing activities for the year ended December 31, 2015, compared to 2014, was primarily due to a reduction in repayment of a lease financing structure, lower repayments of credit facilities, proceeds from the sale leaseback of four vessels and the refinancing of three 4500 TEU vessels. These increases were partially offset by a reduction in debt and equity financings and an increase in dividend payments on our common and preferred shares. Cash dividends on our common shares increased by \$43.4 million due to an increase in our common share dividend from \$0.345 per share to \$0.375 per share and a decrease in reinvestments of cash dividends in our dividend reinvestment program. We also paid \$3.3 million more in preferred share dividends, primarily due to the issuance of 5.4 million Series E preferred shares in February 2014.

Net cash flows from financing activities were \$73.6 million for the year ended December 31, 2014, an increase in cash from financing activities of \$11.1 million, compared to 2013. The increase in cash from financing activities for the year ended December 31, 2014, compared to 2013, was primarily due to drawdown of our credit facilities, proceeds from the issuance of our Notes and Series E preferred shares, and proceeds from the sale-leaseback of three 10000 TEU vessels, partially offset by an increase in repayments on credit facilities, early termination of the lease financing structure related to five 4500 TEU vessels, an increase in dividend payments and a reduction in common share issuances.

#### Investing Cash Flows

Net cash flows used in investing activities were \$716.6 million for the year ended December 31, 2015, an increase in cash used of \$25.4 million, compared to 2014. The increase in cash used in investing activities for the year ended December 31, 2015, compared to the prior year, was due primarily to an increase in vessel expenditures due to the increased size of our newbuilding fleet, the release of restricted cash associated with the early termination of the lease financing structure for five 4500 TEU vessels in the prior year and an increase in cash used to purchase short-term investments. The increases in cash used were partially offset by the repayment of loans by GCI.

Net cash flows used in investing activities were \$691.2 million for the year ended December 31, 2014, an increase in cash used of \$396.0 million, compared to 2013. The increase in cash used in investing activities for the year ended December 31, 2014, compared to the prior year, was due primarily to an increase in vessel expenditures due to the increased size of our newbuilding fleet, an increase in loans to GCI related primarily to newbuilding installment payments paid by us on behalf of GCI, and an increase in purchases of other assets. The increases in cash used were partially offset by cash flows from the release of restricted cash associated with the early termination of the lease financing structure for five 4500 TEU vessels and a reduction in cash used to purchase short-term investments.

Ongoing Capital Expenditures and Dividends

The average age of the vessels in our operating fleet is approximately eight years. Capital expenditures primarily relate to our regularly scheduled dry-dockings. In 2015 we completed 26 dry-dockings, compared to 10 dry-dockings in 2014. In 2015, a total of 26 vessels dry-docked, of which 16 vessels, eight vessels and two vessels underwent their first five-year, 10-year and 15-year drydockings. In 2016, we expect nine vessels and five vessels to undergo their five-year and 10-year dry-dockings, respectively.

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

- the remaining lives of our vessels;
- the returns that we generate on our retained cash flow, which will depend on the economic terms of any future acquisitions and charters, which are currently unknown;
- future market charter rates for our vessels, particularly when they come off-charter, which are currently unknown;
- future operating and interest costs;
- future operating and financing costs are unknown and we use foreign currency forward contracts and interest rate swaps to manage certain foreign currency and interest rate risks;
- our future refinancing requirements and alternatives and conditions in the relevant financing and capital markets at that time;
- capital expenditures to comply with environmental regulations; and
- unanticipated future events and other contingencies. Please read “Item 3. Key Information—D. Risk Factors.”

Our board of directors periodically considers these factors in determining our need to retain funds rather than pay them out as dividends. Unless we are successful in making acquisitions with outside sources of financing that add a material amount to our cash available for retention in our business or unless our board of directors concludes that we will likely be able to re-charter our fleet upon expiration of existing charters at rates higher than the rates in our current charters, our board of directors will likely determine at some future date to reduce, or possibly eliminate, our dividend for reasonable assurance that we are retaining the funds necessary to preserve our capital base.

The following dividends were paid or accrued:

	Year Ended December 31,	
	2015	2014
	(in thousands of USD, except per share amounts)	
<b>Dividends on Class A common shares</b>		
Declared, per share	\$ 1.4700	\$ 1.3475
Paid in cash	105,691	62,310
Reinvested in common shares through our dividend reinvestment program	38,862	64,696
	\$ 144,553	\$ 127,006
<b>Dividends on preferred shares</b>		
Series A, accrued <sup>(1)</sup>	\$ —	\$ 3,395
Series C, paid in cash	\$ 32,396	\$ 32,456
Series D, paid in cash	\$ 10,124	\$ 10,146
Series E, paid in cash	\$ 11,135	\$ 7,951

(1) On January 30, 2014, our Series A preferred shares converted into a total of 23,177,175 Class A common shares.





Our board of directors has adopted a dividend policy aimed at increasing our dividends on our Class A common shares in a controlled and sustainable manner that preserves our long-term financial strength and ability to expand our fleet. We expect this policy to increase dividends paid to holders of our Class A common shares over time. For more information, please read “Item 8. Financial Information—A. Financial Statements and Other Financial Information—Dividend Policy.”

Dividends on our Series C preferred shares accrue at a rate of 9.5% per annum. This rate is subject to adjustment pursuant to our articles of incorporation. Dividends on our Series D and E preferred shares accrue at a rate per annum of 7.95% and 8.25%, respectively.

#### D. Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make estimates in the application of our accounting policies based on our best assumptions, judgments and opinions. Our estimates affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. 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. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. Accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties.

Senior management has discussed with our audit committee the development, selection and disclosure of accounting estimates used in the preparation of our consolidated financial statements.

##### Amortization of Dry-Docking Activities

We defer costs incurred for dry-docking activities until the next scheduled dry-docking. Dry-docking of our vessels is performed every five years and includes major overhaul activities that are comprehensive and all encompassing. We have adopted the deferral method of accounting for dry-dock activities whereby costs incurred are deferred and amortized on a straight-line basis over the period until the next scheduled dry-dock activity.

The major components of routine dry-docking costs include: (a) yard costs, which may include riggers, pilot/tugs, yard fees, hull painting service, deck repairs (such as steel work, anchors, chains, valves, tanks, and hatches) and engine components (such as shafts, thrusters, propeller, rudder, main engine and auxiliary machinery); (b) non-yard costs which include the paint, technician service costs and parts ordered specifically for dry-dock; and (c) other costs associated with communications, pilots, tugs, survey fees, port fees and classification fees.

Repairs and maintenance normally performed on an operational vessel either at port or at sea are limited to repairs to specific damages caused by a particular incident or normal wear and tear, or minor maintenance to minimize the wear and tear to the vessel. Above the water line repairs, minor deck maintenance and equipment repairs may be performed to the extent the operations and safety of the crew and vessel are not compromised. All repairs and maintenance costs are expensed as incurred.

##### Vessel Lives

The carrying value of each of our vessels represents its original cost at the time of delivery or purchase, including acquisition costs directly attributable to the vessel and expenditures made to prepare the vessel for its initial voyage, less accumulated depreciation. We depreciate our vessels using the straight-line method over their estimated useful

lives. Secondhand vessels are depreciated from the date of their acquisition through their remaining estimated useful life. We review the estimate of our vessels' useful lives on an ongoing basis to ensure they reflect current technology, service potential, and vessel structure. We estimate the useful life of the vessels will be 30 years from the date of initial completion. Should certain factors or circumstances cause us to revise our estimate of vessel service lives in the future, depreciation expense could be materially lower or higher. Such factors include, but are not limited to, the extent of cash flows generated from future charter arrangements, changes in international shipping requirements, and other factors, many of which are outside of our control.

## Impairment of Long-lived Assets

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, which occurs when the assets' carrying value is greater than the undiscounted future cash flows the asset is expected to generate over its remaining useful life. Examples of such events or changes in circumstances related to our long-lived assets include, among others: a significant adverse change in the extent or manner in which the asset is being used or in its physical condition; a significant adverse change in legal factors or in the business climate that could affect the asset's value, including an adverse action or assessment by a foreign government that impacts the use of the asset; or a current-period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the asset's use. If there has been a general decline in the market value of vessels, we analyze our vessels for impairment to the extent that the decline in market value is expected to impact the future cash flows of the vessel. In cases where the vessel being analyzed is under a long-term time charter contract, a decline in the current market value of the vessel may not impact the recoverability of its carrying value.

If the estimated undiscounted future cash flows of an asset, excluding interest charges, expected to be generated by the use of the asset over its useful life exceeds the asset's carrying value, no impairment is recognized even though the fair value of the asset may be lower than its carrying value. If the estimated undiscounted future cash flows are less than its carrying amount, an impairment charge is recorded for the amount by which the net book value of the asset exceeds its fair value. Fair value is calculated as the net present value of estimated future cash flows, which, in certain circumstances, will approximate the estimated market value of the vessel.

## Estimates

Our estimates of future cash flows involve assumptions about future charter rates, vessel utilization, operating expenses, dry-docking expenditures, vessel residual values and the remaining estimated useful lives of our vessels.

Revenue assumptions are based on contracted time charter rates up to the end of the life of the current contract of each vessel, as well as an estimated time charter rate, adjusted for future inflation, for the remaining life of the vessel after the completion of its current contract. The estimated time charter rates for non-contracted revenue days are based on 10-year average time charter rates incorporating historical time charter rate data from an independent third-party maritime research service provider, as well as recent market charter rates relevant to future periods.

Our estimates of vessel utilization, including estimated off-hire time for dry-docking, off-hire time between time charters and equipment or machinery breakdown, are based on historical experience.

Our estimates of operating expenses are based on historical and budgeted operating and dry-docking costs and our expectations of future inflation and operating requirements. Expenses, including dry-dock expenses, are impacted by the economic conditions of our industry, including, among other things, crewing costs, insurance and bunker costs and availability of shipyards for dry-docking.

Vessel residual values are a product of a vessel's lightweight tonnage and an estimated scrap rate which takes into consideration historical average scrap prices based on information from third-party maritime research services. Although we believe that the assumptions used to determine the scrap rate are reasonable and appropriate, such assumptions are highly subjective because of the cyclical nature of future demand for scrap steel.

The remaining lives of our vessels used in our estimates of future cash flows are consistent with those used in our calculations of depreciation.

In our experience, certain assumptions relating to our estimates of future cash flows are more predictable by their nature, including estimated revenue under existing contract terms and remaining vessel life. Certain assumptions relating to our estimates of future cash flows require more judgment and are inherently less predictable, such as future charter rates beyond the firm period of existing contracts, ongoing operating costs and vessel residual values, due to factors such as the volatility in vessel charter rates and vessel values. We believe the assumptions used to estimate future cash flows of our vessels are reasonable at the time they are made. We can make no assurances however, as to whether our estimates of future cash flows, particularly future vessel charter rates or vessel values, will be accurate.

## Impairment Analysis

Based on our analysis, we believe the estimated undiscounted future net cash flows for each vessel were in excess of each vessel's carrying value, and accordingly, no impairment was recorded for vessels held for use as of December 31, 2015 and 2014.

Based on current market conditions, we intend to continue to hold and operate our vessels. Our impairment risk is higher for our vessels under 5000 TEUs due to the low current market values relative to the vessel prices we paid to acquire them. We expect that 15 and 13 vessels will come off charter in 2016 and 2017, of which six and eight vessels will come off their long-term charters in 2016 and 2017, respectively.

If time charter rates do not improve meaningfully from current market rates during the next three to six months, we expect that our average estimated daily time charter rate used in future impairment analyses will decline, resulting in reduced estimated undiscounted future net cash flows to an amount which is less than the carrying value of certain vessels up to 5000 TEUs. In accordance with our accounting policy, if this occurs we will be required to recognize a non-cash impairment charge equal to the excess of the impacted vessels' carrying value over their fair value. Based on information available at December 31, 2015 about the fair value of vessels and the estimated future carrying value of such vessels, an estimate of such impairment charge would be in a range of between approximately \$250 million to \$290 million during fiscal 2016, commencing in the quarter ending September 30, 2016. The determination of the fair value of vessels will depend on various market factors, including charter and discount rates and vessel trading values, and our reasonable assumptions at that time. The amount, if any, and timing of any impairment charges we may recognize in the future will depend upon then current and expected future charter rates and vessel values, which may differ materially from those used in our estimates at December 31, 2015.

The following table presents information with respect to the carrying amount of the vessels owned by us and indicates whether their estimated charter-free market values are below their carrying values as of December 31, 2015. The charter-free valuations assume that our vessels are in good and seaworthy condition without need for repair, and, if inspected, they would be certified in class without notations of any kind. Because vessel values can be highly volatile, these charter-free valuations may not be indicative of either the current or future prices that we could achieve if we were to sell any of the vessels. We would not record an impairment for any of the vessels for which the charter-free market value is below its carrying value unless we determine that the vessel's carrying amount is not recoverable. We believe that the projected undiscounted cash flows exceed the carrying values for those vessels that have carrying values in excess of the charter-free market values as of December 31, 2015 and, accordingly, have not recorded an impairment charge as of that date.

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Vessel	Vessel Carrying Value		Vessel Carrying Value
Class	at December 31, 2015 <sup>(1)</sup>		at December 31, 2014
Vessel Name	(TEU)	Year Built	(in millions of USD)
YM Wish	14000	2015	\$ 111.5
YM Wellhead	14000	2015	111.4
YM Witness	14000	2015	108.0
COSCO Glory	13100	2011	149.0
COSCO Pride	13100	2011	150.4
COSCO Development	13100	2011	150.6
COSCO Harmony	13100	2011	150.5
COSCO Excellence	13100	2012	154.9
COSCO Faith	13100	2012	155.0
COSCO Hope	13100	2012	154.6
COSCO Fortune	13100	2012	154.6
Hanjin Buddha	10000	2014	97.6
Hanjin Namu	10000	2014	97.9
Hanjin Tabul	10000	2014	97.9
Maersk Guayaquil	10000	2015	90.4
CSCL Zeebrugge	9600	2007	85.1
CSCL Long Beach	9600	2007	86.6
CSCL Oceania	8500	2004	50.4
CSCL Africa	8500	2005	50.6
COSCO Japan	8500	2010	105.1
COSCO Korea	8500	2010	105.7
COSCO Philippines	8500	2010	105.2
COSCO Malaysia	8500	2010	105.6
COSCO Indonesia	8500	2010	106.7
COSCO Thailand	8500	2010	109.0
COSCO Prince Rupert	8500	2011	111.4
COSCO Vietnam	8500	2011	110.7
MOL Emerald	5100	2009	64.9
MOL Eminence	5100	2009	65.7
MOL Emissary	5100	2009	66.1
MOL Empire	5100	2010	66.8
MOL Excellence	4600	2003	22.2
MOL Efficiency	4600	2003	22.3
Brotonne Bridge	4500	2010	79.9
Brevik Bridge	4500	2011	81.3
Bilbao Bridge	4500	2011	80.8
Berlin Bridge	4500	2011	83.4
Budapest Bridge	4500	2011	85.0
Seaspan Hamburg	4250	2001	24.1
Seaspan Chiwan	4250	2001	24.7
Seaspan Ningbo	4250	2002	26.7
Seaspan Dalian	4250	2002	27.6
Seaspan Felixstowe	4250	2002	27.8

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CSCL Vancouver	4250	2005	27.8	28.9
CSCL Sydney	4250	2005	28.1	29.3
CSCL New York	4250	2005	28.3	29.4
CSCL Melbourne	4250	2005	36.2	37.8
CSCL Brisbane	4250	2005	36.3	37.8
New Delhi Express	4250	2005	39.4	41.0

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Dubai Express	4250	2006	39.6	41.3
Jakarta Express	4250	2006	39.8	41.5
Saigon Express	4250	2006	40.2	41.7
Lahore Express	4250	2006	40.5	42.2
Rio Grande Express	4250	2006	41.0	42.7
Seaspan Santos	4250	2006	41.1	42.8
Rio de Janeiro Express	4250	2007	42.2	43.8
Manila Express	4250	2007	42.0	43.7
CSAV Loncomilla	4250	2009	51.6	53.6
CSAV Lumaco	4250	2009	51.2	53.2
Seaspan Lingue	4250	2010	53.5	55.4
Seaspan Lebu	4250	2010	53.8	55.7
COSCO Fuzhou	3500	2007	36.9	38.5
COSCO Yingkou	3500	2007	37.7	39.2
CSCL Panama	2500	2008	33.7	34.9
CSCL São Paulo	2500	2008	34.1	35.3
CSCL Montevideo	2500	2008	34.0	35.4
CSCL Lima	2500	2008	34.1	35.4
CSCL Santiago	2500	2008	34.1	35.4
CSCL San Jose	2500	2008	34.2	35.5
CSCL Callao	2500	2009	34.7	36.0
CSCL Manzanillo	2500	2009	35.2	36.5
Guayaquil Bridge	2500	2010	36.0	37.2
Calicanto Bridge	2500	2010	36.2	37.5
Total			\$5,069.2	\$4,813.7

(1) At December 31, 2015, except for the YM Wish, YM Wellhead, YM Witness and Maersk Guayaquil, the vessel's charter-free market value is lower than its carrying value. The aggregate carrying value of those vessels whose charter-free market value is lower than its carrying value is \$4.6 billion. The estimated aggregate charter-free market value of these vessels is \$2.5 billion. Although the charter-free market values are lower than the carrying values of those vessels, we expect the difference would be less using charter-attached values since the majority of those vessels are on long-term time charters. Based on our assumptions discussed above, the projected undiscounted future cash flows for each of those vessels exceed their carrying values at December 31, 2015.

#### Goodwill

We allocate the cost of acquired companies to the identifiable tangible and intangible assets and liabilities acquired, with the remaining amount being classified as goodwill. Our future operating performance may be affected by the potential impairment charges related to goodwill. Accordingly, the allocation of the purchase price to goodwill may significantly affect our future operating results. Goodwill is not amortized, but reviewed for impairment annually, or more frequently if impairment indicators arise. The process of evaluating the potential impairment of goodwill is highly subjective and requires significant judgment at many points during the analysis.

The allocation of the purchase price of acquired companies requires management to make significant estimates and assumptions, including estimates of future cash flows expected to be generated by the acquired assets and the appropriate discount rate to value these cash flows. In addition, the process of evaluating the potential impairment of goodwill is highly subjective and requires significant judgment at many points during the analysis. The fair value of our reporting unit is estimated based on discounted expected future cash flows using a weighted-average cost of capital rate. The estimates and assumptions regarding expected cash flows and the appropriate discount rates require



considerable judgment and are based upon existing contracts, historical experience, financial forecasts and industry trends and conditions.

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Our goodwill of \$75.3 million that resulted from our January 2012 acquisition of our Manager, which is tested annually for impairment, was tested for impairment at November 30, 2015. Based on the results of this test, the discounted cash flows substantially exceeded the carrying value of the reporting unit, which is considered to be our business as a whole. Key assumptions that impact the fair value of the reporting unit include the charter rates our vessels earn when employed, our ability to utilize the vessels in our fleet, the operating life of our vessels, the inflation rate and our cost of capital.

#### Derivative Instruments

Our hedging policies permit the use of various derivative financial instruments to manage interest rate risk. Interest rate swap and swaption agreements have been entered into to reduce our exposure to market risks from changing interest rates. We recognize the interest rate swap and swaption agreements on the balance sheet at their fair values.

The fair values of the interest rate swap and swaption agreements have been calculated by discounting the future cash flows of both the fixed rate and variable rate interest rate payments. The interest rate payments and discount rates were derived from a yield curve created by nationally recognized financial institutions adjusted for the associated credit risk related to the credit risk of the counterparties or our non-performance risk. The inputs used to determine the fair values of these agreements are readily observable. Accordingly, we have classified the fair value of the interest rate swap and swaption agreements within Level 2 of the fair value hierarchy as defined by U.S. GAAP. Changes in the fair value of our interest rate swaps are recorded in earnings.

We evaluate whether any of the previously hedged interest payments are remote of occurring. We have concluded that the previously hedged interest payments are not remote of occurring. Therefore, unrealized gains or losses in accumulated other comprehensive income associated with the previously designated interest rate swaps are recognized in earnings when and where the interest payments are recognized. If such interest payments were to be identified as being remote of occurring, the accumulated other comprehensive income balance pertaining to these amounts would be reversed through earnings immediately.

#### Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board, or the FASB, issued Accounting Standards Update, or ASU, 2016-02, "Leases". ASU 2016-02 will require lessees to recognize all leases, including operating leases, with a term greater than 12 months on the balance sheet, for the rights and obligations created by those leases. The accounting for lessors will remain largely unchanged from the existing accounting standards. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the new guidance to determine the impact it will have on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016 -01, "Recognition and Measurement of Financial Assets and Financial Liabilities". ASU 2016-01 changes the income statement impact of equity investments held by an entity, and the recognition of changes in fair value of financial liabilities when the fair value option is elected. The standard does not apply to equity method investments or investments in consolidated subsidiaries. For entities that elect the fair value option for financial liabilities, the change in fair value that is attributable to instrument-specific credit risk must be recognized in other comprehensive income instead of net income. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are currently evaluating the new

guidance to determine the impact it will have on our consolidated financial statements.

In August 2015, the FASB issued ASU 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-Of-Credit Arrangements." The guidance in ASU 2015-03 (as described below) does not address the presentation or subsequent measurement of debt issuance costs related to line of credit, or LOC, arrangements. ASU 2015-15 states that the SEC staff would not object to an entity deferring and presenting debt issuance costs. We are currently evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

In July 2015, the FASB delayed the effective date of ASU 2014-09, “Revenue from Contracts with Customers”, by one year. Reporting entities may choose to adopt the standard as of the original effective date. The FASB decided, based on its outreach to various stakeholders and the forthcoming amendments to ASU 2014-09, that a deferral is necessary to provide adequate time to effectively implement the new revenue standard. ASU 2014-09 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. We are currently evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs,” as part of its simplification initiative. ASU 2015-03 changes the presentation of debt issuance costs in financial statements such that an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016.

In February 2015, the FASB issued ASU 2015-02, “Consolidation – Amendments to the Consolidation Analysis.” ASU 2015-02 changes the evaluation of whether limited partnerships, and similar legal entities, are variable interest entities, or VIEs, and eliminates the presumption that a general partner should consolidate a limited partnership that is a voting interest entity. The new guidance also alters the analysis for determining when fees paid to a decision maker or service provider represent a variable interest in a VIE and how interests of related parties affect the primary beneficiary determination. ASU 2015-02 is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015. The new standard allows early adoption, including early adoption in an interim period. We are currently evaluating the new guidance to determine the impact it will have on our consolidated financial statements.

## Glossary

We use a variety of operational terms and concepts in this Annual Report. These include the following:

**Annual Survey.** The inspection of a vessel pursuant to international conventions, by a classification society surveyor, on behalf of the flag state, that takes place every year.

**Ballast.** A voyage during which the ship is not laden with cargo.

**Bareboat Charter.** A charter of a vessel under which the shipowner is usually paid a fixed amount for a certain period of time during which the charterer is responsible for the vessel operating expenses, including crewing, and voyage expenses of the vessel and for the management of the vessel. A bareboat charter is also known as a “demise charter” or a “time charter by demise.”

**Bunkers.** Heavy fuel and diesel oil used to power a vessel’s engines.

**Charter.** The hire of a vessel for a specified period of time or a particular voyage to carry a cargo from a loading port to a discharging port. The contract for a charter is commonly called a charterparty.

**Charterer.** The party that charters a vessel.

**Charter hire.** A sum of money paid to the shipowner by a charterer for the use of a ship. Charter hire paid under a voyage charter is also known as “freight.”

**Classification society.** An independent organization that certifies that a vessel has been built and maintained according to the organization’s rules for that type of vessel and complies with the applicable rules and regulations of the flag state

and the international conventions of which that country is a member. A vessel that receives its certification is referred to as being “in-class.”

Dry-docking. The removal of a vessel from the water for inspection and, if needed, repair of those parts of a vessel that are below the water line. During dry-dockings, which are required to be carried out periodically, certain mandatory classification society inspections are carried out and relevant certifications are issued. Dry-dockings for containerships are generally required once every five years, one of which must be a “special survey.”

Flag State. The country of a vessel’s registry.

Hire rate. The payment to the shipowner from the charterer for the use of the vessel.

Hull. Shell or body of a vessel.

IMO. International Maritime Organization, a United Nations agency that issues international standards for shipping.

Intermediate survey. The inspection of a vessel by a classification society surveyor that takes place 24 to 36 months after each “special survey.”

Newbuilding. A new ship under construction or just completed.

Off-charter. The period in which a vessel is not in service under a time charter and, accordingly, we do not receive hire.

Off-hire. The period in which a vessel is not available for service under a time charter and, accordingly, the charterer generally is not required to pay the hire rate. Off-hire periods can include days spent on repairs, dry-docking and surveys, whether or not scheduled.

Protection and indemnity insurance. Insurance obtained through a mutual association formed by shipowners to provide liability indemnification protection from various liabilities to which they are exposed in the course of their business, and which spreads the liability costs of each member by requiring contribution by all members in the event of a loss.

Scrapping. The sale of a ship as scrap metal.

Ship operating expense. The costs of operating a vessel, primarily consisting of crew wages and associated costs, insurance premiums, management fee, lubricants and spare parts, and repair and maintenance costs. Ship operating expenses exclude fuel cost, port expenses, agents’ fees, canal dues and extra war risk insurance, as well as commissions, which are included in “voyage expenses.”

Special survey. The inspection of a vessel by a classification society surveyor that takes place every five years, as part of the recertification of the vessel by a classification society.

Spot market. The market for immediate chartering of a vessel, usually for single voyages.

TEU. Twenty-foot equivalent unit, the international standard measure for containers and containership capacity.

Time charter. A charter under which the shipowner hires out a vessel for a specified period of time. The shipowner is responsible for providing the crew and paying vessel operating expenses, while the charterer is responsible for paying the voyage expenses and additional voyage insurance. The shipowner is paid the hire rate, which accrues on a daily basis.

Voyage expenses. Expenses incurred due to a ship’s traveling from a loading port to a discharging port, such as fuel (bunkers) cost, port expenses, agents’ fees, canal dues, extra war risk insurance and commissions.

Vessel operating expenses. The costs of operating a vessel, primarily consisting of crew wages and associated costs, insurance premiums, management fees, lubricants and spare parts, and repair and maintenance costs.

E. Research and Development

Not applicable.

F. Off-Balance Sheet Arrangements

As at December 31, 2015, we do not have any off-balance sheet arrangements.

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## G. Contractual Obligations

As of December 31, 2015, our long-term undiscounted contractual obligations consist of the following:

	Payments Due by Period				
	(in thousands of USD)				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Fixed-rate long-term debt obligations	\$448,832	\$12,772	\$25,545	\$370,545	\$39,970
Variable-rate long-term debt obligations <sup>(1)</sup>	2,938,363	274,574	544,670	900,618	1,218,501
Purchase obligations for additional vessels	667,147	373,247	293,900		
Lease obligations <sup>(2)</sup>	408,675	36,898	79,968	169,496	122,313
Operating leases <sup>(3)</sup>	827,126	76,993	156,112	157,545	436,476
Total	\$5,290,143	\$774,484	\$1,100,195	\$1,598,204	\$1,817,260

- (1) Represents principal payments on amounts drawn on our credit facilities that bear interest at variable rates of LIBOR or KEXIM plus margins ranging from 0.35% to 4.75% per annum. We have entered into interest rate swap agreements under certain of our credit facilities to swap the variable interest rates for fixed interest rates ranging from 5.170% to 5.945% per annum. For purposes of this table, principal payments are determined based on contractual repayments in commitment reduction schedules for each related facility. The amounts exclude expected interest payments of \$60.0 million (less than one year), \$101.4 million (one to three years), \$59.0 million (three to five years) and \$60.7 million (more than five years). Expected interest payments are based on LIBOR plus margins at December 31, 2015. The expected interest payments do not reflect the effect of related interest rate swaps that we have used as an economic hedge of certain of our variable-rate debt.
- (2) Represents payments, including expected interest payments, on amounts drawn on our lease facilities that bear interest at variable rates of LIBOR plus margins ranging from 2.60% to 3.00% per annum. Expected interest payments are based on LIBOR plus margins at the date our lease facilities were entered into.
- (3) Represents payments under our operating leases for vessels and office space. We entered into sale-leaseback transactions for certain of our vessels where the lease term commenced upon the delivery dates of the vessels. These operating lease payments include expected interest payments that bear interest at variable rates of LIBOR plus margins ranging from 1.50% to 3.00% per annum. Expected interest payments are based on either LIBOR plus margins at the date our operating leases were entered into, or at December 31, 2015.

## Item 6. Directors, Senior Management and Employees

## A. Directors, Senior Management and Key Employees

Our directors, senior management and key employees as of February 29, 2016, and their ages as of December 31, 2015 are listed below:

Name	Age	Position
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Kyle R. Washington	46	Co-Chairman of the board of directors and Co-Founder
Gerry Wang	53	Chief Executive Officer, Co-Chairman of the board of directors and Co-Founder
Peter Curtis	57	Chief Operating Officer
Mark Chu	48	Interim Chief Financial Officer, General Counsel and Vice President, Corporate Development
John C. Hsu	52	Director
Harald H. Ludwig	61	Director
David Lyall	59	Director
Nicholas Pitts-Tucker	65	Director
Graham Porter	45	Director and Co-Founder
Peter S. Shaerf	61	Deputy Chair of the board of directors

Kyle R. Washington. Kyle R. Washington was appointed as chairman of our board in May 2005 and in February 2011 became co-chairman with Gerry Wang. From 2005 to 2011 he served as chairman of Seaspan Marine Services Ltd., our Manager and certain of our Manager's operating subsidiaries. From 1998 to 2006, Mr. Washington was a director and executive chairman of the Seaspan ULC (formerly Washington Marine Group), a marine transportation company that is involved in shipdocking, barging and shipyard enterprises. From 2007 to 2010, Mr. Washington was a general partner in CopperLion Capital, a private equity fund. In 2009, Mr. Washington returned as a director and executive chairman of Seaspan ULC and was appointed as a director of Envirocon, Inc., Modern Machinery Co., Inc., Montana Rail Link, Inc., Montana Resources, Inc. and Southern Railway of British Columbia, Ltd., all of which are within a group of companies owned by Mr. Washington's family. Mr. Washington was an ambassador to the 2010 Winter Olympics in Vancouver and is an active supporter of many charitable organizations. He is a graduate of the University of Montana with a degree in business administration.

Gerry Wang. Gerry Wang was appointed as our chief executive officer and elected as a director in May 2005, and as co-chairman of our board of directors in February 2011. Mr. Wang joined the Offshore Division of Seaspan Marine Corporation in early 1990. Mr. Wang was appointed as a director of our Manager in August 2005 and also serves as a director and officer of certain of our Manager's operating subsidiaries. In 2011, he was elected as lead director of MagIndustries Corp. and as the chairman of the board of managers of GCI. He retired from MagIndustries Corp. in June 2015. From 1986 to 1989, Mr. Wang was the business manager for China Merchants Group in Hong Kong. He graduated from Shanghai Maritime University with a Bachelor's degree in Navigation, and he earned a Master's degree in International Economics under the sponsorship program of the United Nations Economic and Social Council Asia Pacific. He also obtained his Master of Science in Business Administration degree from the University of British Columbia in Vancouver, B.C., Canada.

Peter Curtis. Peter Curtis was appointed as our chief operating officer in February 2012. He is responsible for ship building programs, overall operations and commercial management of the vessels managed by our Manager, including our vessels. From 2001 to 2012, Mr. Curtis was vice president of SSML. From 1981 to 1989, Mr. Curtis served in the South African Navy, where he attained the rank of Lt. Commander in charge of the submarine maintenance facility and design office. From 1989 to 1991, he was an associate with a firm of engineering consultants in Cape Town, working on offshore and naval architectural projects, such as offshore oil and gas as well as other marine projects. From 1991 to 1999, Mr. Curtis was with Safmarine Container Lines, where he was responsible for the operations of a mixed fleet of containerships, handy-size and cape-size bulk carriers and also oversaw a number of new building programs. Prior to joining SSML in 2001, Mr. Curtis was based in Cyprus for two years with Columbia Ship Management as technical director. Mr. Curtis has served on our board of directors of The North England P&I Association Ltd. since 2012. In 1981, he obtained a Bachelor of Science degree in Mechanical Engineering degree at Natal University in Durban, South Africa. Mr. Curtis also obtained his Master's degree in Naval Architecture from University College in London, England and his Bachelor of Science in business from Stellenbosch University in South Africa.

Mark Chu. Mark Chu was appointed as our general counsel in March 2012, secretary in July 2013, vice president, corporate development in September 2015 and interim CFO in November 2015. From 2009 to 2012, Mr. Chu was a partner in the law firm Farris, Vaughan, Wills & Murphy LLP. From 2004 to 2009 he was a tax partner at KPMG LLP. His practice encompassed all areas of Canadian taxation, including mergers and acquisitions, financings, initial public offerings, corporate reorganizations and dispute resolution. Mr. Chu is both a chartered accountant, admitted as a member of the Institute of Chartered Accountants of British Columbia and the Canadian Institute of Chartered Accountants in 1993, and a barrister and solicitor, called to the British Columbia bar in 1997. Mr. Chu obtained his business and law degrees from the University of British Columbia.

John C. Hsu. John C. Hsu was appointed director in April 2008 and is chair of the compensation committee. He also is a member of the audit committee. Mr. Hsu's family has been in the business of owning and operating bulkers, tankers, and specialized ships for generations through entities such as Sincere Navigation Corp. (Taiwan-listed) and Oak Maritime, Inc., for which he currently serves as a director. Since 1993, Mr. Hsu has been responsible for managing the Hsu family's investment portfolio with their family office, OSS Capital. Also, he is currently director of Isola Capital, a multi-family office based in Hong Kong which manages direct investments in Asian private equity. From 2008 to 2012, he was chairman of a Taiwanese private company, TSSI Inc. (a surveillance IC solutions provider). From 2003 to 2010, Mr. Hsu was partner of Ajia Partners, one of Asia's largest privately-owned alternative investment firms. From 1998 to 2002, he was chief investment officer of Matrix Global Investments, a hedge fund in US-listed technology companies. Mr. Hsu received his Bachelor of Arts degree from Colgate University and his Masters of Business Administration degree from Columbia University. Mr. Hsu is fluent in Japanese and Mandarin.

Harald H. Ludwig. Harald H. Ludwig has served as a director since August 2012 and is a member of the governance and conflicts committee. Mr. Ludwig has over 30 years of extensive business and investment experience, including as president of Macluan Capital Corporation (a diversified private equity investment company), as a director and former co-chairman of Lions Gate Entertainment Corp., and as a director of West Fraser Timber Co. Ltd. Mr. Ludwig is also a founding partner or private equity investor in a number of North American and international private equity firms, hedge funds, mezzanine lenders, growth capital providers, distressed investment firms and real estate investment vehicles. He is a member of the Advisory Board of Tennenbaum Capital Partners, LLC and a governor of the British Columbia Children's Hospital Foundation. Mr. Ludwig graduated from Simon Fraser University and holds an L.L.B. from Osgoode Hall Law School.

David Lyall. David Lyall was appointed as a director in May 2012 and is a member of the governance and conflicts committee. Mr. Lyall has more than 30 years of experience in the financial services industry and is currently a member of the board of directors and head of institutional sales at Haywood Securities Inc. Mr. Lyall began his career in 1979 as an investment advisor in Vancouver, British Columbia. From 1983 to 1998, he was vice-president and director in the institutional sales department at First Marathon Securities in Vancouver and was part of a team that developed First Marathon's institutional sales department for Canada and the United States. In 1998, Mr. Lyall joined Haywood Securities Inc., a 100 percent employee-owned investment dealer with more than 300 employees in its Canadian offices in Vancouver, Calgary and Toronto, Canada. Haywood Securities Inc. is a member of the Toronto Stock Exchange, the TSX Venture Exchange, the Montreal Exchange, the Canadian National Stock Exchange, the Canadian Investor Protection Fund, and the Investment Industry Regulatory Organization of Canada. Haywood Securities Inc. has over \$5 billion in assets under administration. Mr. Lyall graduated with a Bachelor of Arts degree from the University of British Columbia in 1977.

Nicholas Pitts-Tucker. Nicholas Pitts-Tucker was appointed as a director in April 2010 and is chair of the audit committee. He is also a member of the compensation committee as well as the governance and conflicts committee. Mr. Pitts-Tucker joined Sumitomo Mitsui Banking Corporation in 1997, following 14 years at Deutsche Morgan Grenfell and over 10 years at Grindlays Bank Limited in Asia. At Sumitomo Mitsui Banking Corporation, Mr. Pitts-Tucker served for 13 years with particular emphasis on project shipping and aviation finance in Asia, Europe and the Middle East. He also served on the Board as an executive director of SMBC Europe and of Sumitomo Mitsui Banking Corporation in Japan, or SMBC Japan. He retired from SMBC Europe and SMBC Japan in April 2010, and also retired as a non executive director and as a member of the audit committee of SMBC Europe in April 2011. In December 2010, Mr. Pitts-Tucker was appointed as a director of Black Rock Frontier Investment Trust PLC, which is listed on the London Stock Exchange, and is a member of the audit committee. Mr. Pitts-Tucker is a member of the Royal Society for Asian Affairs, which was founded in 1901 to promote greater knowledge and understanding of Central Asia and countries from the Middle East to Japan. In August 2013, Mr. Pitts-Tucker was appointed as Governor of the University of Northampton. Mr. Pitts-Tucker has a Master of Arts degree from Christchurch, Oxford University and a Master of Business Administration from Cranfield University.



Graham Porter. Graham Porter was elected as a director of the Company in April 2010. Mr. Porter has also served as a director of the Manager and certain of its operating subsidiaries since August 2005, and served as an executive officer of such entities prior to the Company's acquisition of the Manager in January 2012. In 2000, Mr. Porter was part of the senior management and equity team to form Seaspan Container Lines Ltd., established to own and operate deep-sea container vessels. Mr. Porter is chairman of Tiger Group Investments Ltd., an investment firm based in the Cayman Islands which, through its affiliated companies, holds shares in the Company and in other shipping ventures. Mr. Porter graduated with a B. Com. degree in business, major in transportation and logistics and minor in accounting, from the University of British Columbia in Vancouver, British Columbia. He resides in Hong Kong.

Peter S. Shaerf. Peter S. Shaerf was elected as a director in August 2005 and is chair of the governance and conflicts committee. He is also a member of the audit committee and the compensation committee. Mr. Shaerf resigned as chair of the compensation committee upon his appointment as Deputy Chair of our board of directors in February 2011. Since 2002, Mr. Shaerf has been a Managing Director and partner at AMA Capital Partners, an investment bank and private equity firm specializing in the maritime industry. From 1998 until April 2002, Mr. Shaerf was a managing director of Poseidon Capital Corp., an independent maritime consulting and investment company that works extensively in the investment community. From 1980 to 2002, he was a partner of The Commonwealth Group, a brokerage and consulting company that specialized in the dry cargo and container markets. From 1977 to 1980, he was a director of Common Brothers U.S.A. Ltd., a shipbroking subsidiary of a British shipowner of dry cargo and tanker tonnage. He has served as a director of four publicly listed shipping companies. Currently Mr. Shaerf is a director of Interlink Maritime Corp., a Bermuda based owner of handysize bulkcarriers, and of Ocean Protection Services, a U.K based maritime security company. He is the Chairman Emeritus and past Chairman of New York Maritime Inc.(NYMAR), a leading global trade association that promotes New York as a maritime center, he is a member of the American Bureau of Shipping and a member of the finance subcommittee of the U.S. Government sponsored Marine National Advisory Council. Mr. Shaerf holds a B.A. degree in international business law from the London Metropolitan University.

## B. Compensation

### Compensation of Directors and Officers

Our non-employee directors receive cash and, as described below under “—Equity Incentive Plan,” equity-based compensation.

In 2015, each non-employee member of our board of directors received an annual cash retainer of \$60,000. Mr. Washington also received an additional \$40,000 for his service during 2015 as co-chairman of our board of directors and Peter S. Shaerf received an additional \$30,000 for his service during 2015 as deputy chairman of our board of directors. In addition, the chair of the audit committee received an annual payment of \$20,000 and each member of the audit committee, including the chair, received an annual payment of \$10,000 for the regular quarterly committee meetings. Each audit committee member received a payment of \$1,500 for each additional committee meeting attended during the calendar year. The chair of the compensation committee received an annual payment of \$20,000 and each member of the compensation committee, including the chair, also received an annual payment of \$10,000 for the regular quarterly committee meetings. For the period January 1 to April 24, 2015, this payment was split between the co-chairs, Nicholas Pitts-Tucker and John C. Hsu. Each compensation committee member received a payment of \$1,500 for each additional committee meeting attended during the calendar year. The chair of the governance and conflicts committee received an annual payment of \$20,000 and each member of the governance and conflicts committee, including the chair, received an annual payment of \$10,000 for the regular quarterly committee meetings. Each governance and conflicts committee member received a payment of \$1,500 for each additional committee meeting attended during the calendar year. All annual cash retainers and payments are payable in equal quarterly installments. Non-employee directors who attend committee meetings (other than the regularly scheduled

quarterly meetings) at the invitation of the chair of the committee, but who are not members of any such committee, received a payment of \$1,500 per meeting.

In addition, in 2015, the chair of the governance and conflicts committee received an additional payment of \$100,000 and each other member of the governance and conflicts committee, as well as John C. Hsu, received an additional payment of \$50,000 in consideration of extra time and effort expended on business and strategic matters over the course of 2015.

For 2015, our non-employee directors also received an annual retainer of \$120,000 paid in restricted shares of our Class A common stock, as described below under “—Equity Incentive Plan.”

Officers who also serve as directors do not receive compensation for their service as directors. Each director is reimbursed for out-of-pocket expenses incurred while attending any meeting of our board of directors or any committee.

For services during the years ended December 31, 2015 and 2014, we paid to our directors and management (14 persons in 2015 and 14 persons in 2014) aggregate cash compensation of approximately \$6.1 million and \$4.9 million, respectively. We do not have a retirement plan for members of our management team or our directors. The compensation amounts set forth above exclude (1) equity-based compensation paid to our directors and management as described below and (2) sale and purchase transaction fees paid to Mr. Wang pursuant to his employment agreement with us. For more information about Mr. Wang’s employment agreement, including information about the award of SARs we granted to Mr. Wang in connection with the amended and restated employment agreement, please read “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Employment Agreement and Other Related Agreements with Gerry Wang.”

#### Equity Incentive Plan

In December 2005, our board of directors adopted the Seaspan Corporation Stock Incentive Plan, or the Plan, which is administered by the board, under which our officers, employees and directors may be granted options, restricted shares, phantom share units, and other stock based awards as may be determined by our board of directors. In December 2015, we amended and restated the Plan to increase the number of common shares reserved for issuance under the Plan to 3,000,000 and extend the term of the Plan to indefinite. On January 1, 2015, each of our non-employee directors was awarded 6,421 restricted shares, which vested on January 1, 2016. In 2015, we also granted an aggregate of 100,000 phantom share units to our executive officers, other than our chief executive officer under the Plan. These grants are subject to a three-year annual vesting period which began on January 1, 2016.

SSML has a Cash and Share Bonus Plan under which its key employees may be granted awards comprised of 50% cash and 50% common shares of Seaspan issued under the Plan. The purpose of the Cash and Share Bonus Plan is to align the interests of SSML’s management with our interests, and the awards granted under the Cash and Share Bonus Plan are subject to the terms and conditions of the Plan (including the maximum number of issuable shares). Our executive officers who participate in the Plan are also eligible to participate in the Cash and Share Bonus Plan in their capacities as employees of SSML. In 2015, SSML granted awards to our executive officers comprised of an aggregate of \$0.2 million cash and 9,899 common shares of Seaspan.

In 2013, the Company granted 1,664,457 SARs to certain members of management, or the Participants, which vest and become exercisable in three tranches when and if the fair market value of the common shares equals or exceeds the applicable base price for the applicable tranche for any 20 consecutive trading days on or before the expiration date of such tranche. The Participants may exercise each vested tranche of SARs and receive common shares with a value equal to the difference between the applicable base price and the fair market value of the common shares on the exercise date. The common shares received on the exercise of SARs are subject to a retention requirement where the Participant is required to retain ownership of 50% of the net after tax number of shares until the later of March 22, 2018 or 120 days after the exercise date. Please see note 12 to our consolidated financial statements included in this Annual Report for additional information about outstanding SARs and phantom share units.

The report of the compensation committee of our board of directors for the fiscal year ended December 31, 2015 will be included as part of our proxy statement, which will be filed with the SEC as a Report on Form 6-K.





## C. Board Practices

### General

As of February 29, 2016, our board of directors consists of eight members. Each member is elected to hold office until the next succeeding annual meeting of shareholders and until such director's successor is elected and has qualified. The co-chairmen of our board of directors are Gerry Wang and Kyle R. Washington. The deputy chairman of our board of directors is Peter S. Shaerf.

Our board of directors has determined that each of the current members of our board of directors, other than Kyle R. Washington, Gerry Wang and Graham Porter, has no material relationship with us, either directly or as a partner, shareholder or officer of an organization that has a relationship with us, and is, therefore, independent from management.

### Committees

Our board of directors currently has the following three committees: audit committee, compensation committee, and governance and conflicts committee. The membership of the committees during 2015 and the function of each of the committees are described below. Each of our committees operates under a written charter adopted by our board of directors. All of the committee charters are available under "Corporate Governance" in the Investor Relations section of our website at [www.seaspancorp.com](http://www.seaspancorp.com).

During 2015, our board of directors held six meetings and the audit committee held four meetings. In April 2015, the governance function performed by the compensation committee (formerly, the compensation and governance committee) was moved to the governance and conflicts committee (formerly, the conflicts committee). Prior to this change in April 2015, the compensation and governance committee held three meetings and the conflicts committee held five meetings, and after this change, the compensation committee held two meetings and the governance and conflicts committee held 12 meetings.

The audit committee of our board of directors is composed entirely of directors who currently satisfy applicable NYSE and SEC audit committee independence standards. From January 1 to April 24, 2015, the audit committee members were George H. Juetten (chair), John C. Hsu and Nicholas Pitts-Tucker. For the remainder of 2015, the audit committee members were Nicholas Pitts-Tucker (chair), John C. Hsu and Peter S. Shaerf. All current members of the committee are financially literate, and our board of directors determined that Mr. Pitts-Tucker qualifies as a financial expert. The audit committee assists our board of directors in fulfilling its responsibilities for general oversight of: (1) the integrity of our consolidated financial statements; (2) our compliance with legal and regulatory requirements; (3) the independent auditors' qualifications and independence and (4) the performance of our internal audit function and independent auditors.

The compensation committee of our board of directors is composed entirely of directors who satisfy applicable NYSE independence standards. From January 1 to April 24, 2015, the compensation committee (then the compensation and governance committee) consisted of John C. Hsu (co-chair), Nicholas Pitts-Tucker (co-chair), George H. Juetten and Peter S. Shaerf. For the remainder of 2015, the compensation committee members were John C. Hsu (chair), Nicholas Pitts-Tucker and Peter S. Shaerf. The compensation committee: (1) reviews, evaluates and approves our agreements, plans, policies and programs to compensate our officers and directors; (2) produces a report on executive compensation, which is included in our proxy statement; (3) otherwise discharges our board of director's responsibilities relating to the compensation of our officers and directors and (4) performs such other functions as our board of directors may assign to the committee from time to time.

The governance and conflicts committee of our board of directors consists of Peter S. Shaerf (chair), Harald H. Ludwig, David Lyall and Nicholas Pitts-Tucker. The governance and conflicts committee (1) assists our board of directors with corporate governance practices, evaluating director independence and periodic performance evaluations of the members of our board of directors and (2) reviews and approves transactions between us and our directors, our officers and other related parties for potential conflicts of interest on an ongoing basis. Each member of the committee satisfies applicable NYSE and SEC audit committee independence standards.

## Exemptions from NYSE Corporate Governance Rules

As a foreign private issuer, we are exempt from certain corporate governance rules that apply to U.S. domestic companies under NYSE listing standards. The significant way in which our corporate governance practices differ from those followed by U.S. domestic companies is that in lieu of obtaining shareholder approval prior to the adoption of equity compensation plans, our board of directors approves such adoption.

Unlike domestic companies listed on the NYSE, foreign private issuers are not required to have a majority of independent directors and the standard for independence applicable to foreign private issuers may differ from the standard that is applicable to domestic issuers. Our board of directors has determined that five of our eight directors (being John C. Hsu, Harald H. Ludwig, David Lyall, Nicholas Pitts-Tucker and Peter S. Shaerf) satisfy the NYSE's independence standards for domestic companies.

U.S. domestic companies are required to have a compensation committee and a nominating and corporate governance committee, each comprised entirely of independent directors. Although as a foreign private issuer these rules do not apply to us, we have a compensation committee that consist of three members and a governance and conflicts committee that consists of four directors, all of whom satisfy applicable NYSE standards for independence for domestic companies.

## D. Employees

As of December 31, 2015, approximately 4,400 seagoing staff serve on the vessels that we manage and approximately 300 staff serve on shore.

## E. Share Ownership

The following table sets forth certain information regarding the beneficial ownership of our common shares by:

each of our current directors;

- each of our current executive officers, senior management and key employees; and

all our current directors and all current executive officers, senior management and key employees as a group.

The information presented in the table is based on information filed with the SEC and on information provided to us prior to February 29, 2016.

Name of Beneficial Owner	Common Shares	Percentage of Common	
		Common Shares <sup>(1)</sup>	%
Kyle R. Washington <sup>(2)</sup>	6,472,716	6.6	%
Graham Porter <sup>(3)</sup>	6,279,485	6.4	%
Gerry Wang <sup>(4)</sup>	2,150,478	2.2	%
Peter S. Shaerf	*	*	
Peter Curtis	*	*	
John C. Hsu	*	*	

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Nicholas Pitts-Tucker <sup>(5)</sup>	*	*	
David Lyall	*	*	
Harald H. Ludwig	*	*	
Mark Chu	*	*	
All directors, executive officers, senior management and key employees as a group (10 persons)	15,204,114	15.5	%

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- (1) Percentages are based on the 98,230,536 common shares that were issued and outstanding on February 29, 2016.
- (2) The number of common shares shown for Kyle R. Washington includes shares beneficially or directly owned by Kyle R. Washington, as well as by the Kyle Roy Washington 2005 Irrevocable Trust u/a/d July 15, 2005 and The Kyle Roy Washington 2014 Trust. This information is based on prior SEC filings and information provided to us by Kyle R. Washington on or about February 2, 2016.
- (3) The number of common shares shown for Mr. Porter includes common shares beneficially owned by Tiger Container Shipping Co. Ltd., as well as by certain members of his immediate family. Tiger Container Shipping Co. Ltd. is an investment holding company that is indirectly wholly-owned by Mr. Porter. This information was provided to us by Mr. Porter on or about February 3, 2016.
- (4) The number of common shares shown for Mr. Wang includes shares beneficially or directly owned by Gerry Wang and by Gerry Wang Family Enterprises Ltd., a Hong Kong company. This information was provided to us by Mr. Wang on or about February 3, 2016.
- (5) The number of common shares shown for Mr. Pitts-Tucker includes shares beneficially or directly owned by Nicholas Pitts-Tucker, as well as by certain members of his immediate family. This information was provided to us by Mr. Pitts-Tucker on or about January 19, 2016.
- (6) Please see note 12 to our consolidated financial statements included in this Annual Report for a description of SARs granted to our executive officers and senior management.

\*Less than 1%.

## Item 7. Major Shareholders and Related Party Transactions

### A. Major Shareholders

The following table sets forth certain information regarding the beneficial ownership of our common shares by each person known by us to be a beneficial owner of more than 5% of the common shares. The information provided in the table is based on information filed with the SEC and on information provided to us prior on or about February 29, 2016.

Name of Beneficial Owner	Percentage of	
	Common	Common
Dennis R. Washington <sup>(2)</sup>	38,656,710	39.4 %
Copper Lion, Inc. <sup>(3)</sup>	12,578,331	12.8 %
Graham Porter <sup>(4)</sup>	6,279,485	6.4 %

- (1) Percentages are based on the 98,230,536 common shares that were issued and outstanding on February 29, 2016.
- (2) The number of common shares shown for Dennis R. Washington includes those shares beneficially owned by Deep Water Holdings, LLC, or Deep Water, and The Roy Dennis Washington Revocable Living Trust created under

Agreement dated November 16, 1987. This information is based on prior SEC filings and information provided to us by Mr. Washington on or about January 28, 2016.

- (3) The number of common shares shown for Copper Lion, Inc. includes those shares beneficially owned by The Kevin Lee Washington 2014 Trust, the Kyle Roy Washington 2005 Irrevocable Trust u/a/d July 15, 2005 and The Kyle Roy Washington 2014 Trust. This information is based on prior SEC filings and information provided to us by Copper Lion, Inc. on or about January 28, 2016. Kevin L. Washington and Kyle R. Washington are sons of Dennis R. Washington, who controls our largest shareholder.
- (4) The number of common shares shown for Mr. Porter includes common shares beneficially owned by Tiger Container Shipping Co. Ltd., as well as by certain members of his immediate family. Tiger Container Shipping Co. Ltd. is an investment holding company that is indirectly wholly-owned by Mr. Porter. This information was provided to us by Mr. Porter on or about February 3, 2016.

The major shareholders of our common shares have the same voting rights as other shareholders of our common shares.

As of February 29, 2016, a total of 50,905,690 of our Class A common shares were held by 44 holders of record in the United States.

We are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control.

#### B. Related Party Transactions

From time to time we have entered into agreements and have consummated transactions with certain related parties. These related party agreements include agreements relating to the provision of services by our directors and executive officers, the sale and purchase of our common and preferred equity securities, the management of the vessels in our fleet by our Manager and our acquisition of our Manager in January 2012, and our investment in GCI. We may enter into related party transactions from time to time in the future. Our board of directors has a conflicts committee, comprised entirely of independent members of our board of directors, which must approve all proposed material related party transactions.

#### Certain Relationships and Transactions

Gerry Wang, our chief executive officer, co-founder and co-chairman of our board of directors, also provides services to GCI, GC Industrial (which is owned by affiliates of The Carlyle Group and the Tiger Member), and the Tiger Member and, as of June 2015, has an indirect ownership interest in the Tiger Member. In addition, Mr. Wang serves as chairman of the board of managers of GCI and is a voting member of the Transaction Committee of GCI. Please read “—Our Investment in Carlyle Containership-Focused Investment Vehicle.” In December 2012, we entered into an amended and restated employment agreement with Mr. Wang, which we amended in August 2014. Please read “—Employment Agreement and Other Related Agreements with Gerry Wang.”

Kyle R. Washington, co-founder and co-chairman of our board of directors, is the son of Dennis R. Washington, who controls entities that together represent our largest shareholder. The Washington Member has an interest in GCI and an indirect economic interest in certain incentive distributions received by GC Industrial from GCI, and GCI has granted the Washington Member a right of first refusal on containership investment opportunities, which applies to a smaller percentage of vessels and is subordinate to our right of first refusal. Please read “—Our Investment in Carlyle Containership-Focused Investment Vehicle—Rights of First Refusal and First Offer.” Mr. Washington serves on the board of GCI as the representative of the Washington Member and is a non-voting member of the Transaction Committee of GCI.

Graham Porter is one of our directors. An affiliated entity of Mr. Porter is a co-owner of the Tiger Member, which provides certain commercial management services with respect to the vessel investments made by GCI. Please read “—Our Investment in Carlyle Containership-Focused Investment Vehicle—Services Agreements.” Mr. Porter has an indirect economic interest in certain incentive distributions received by GC Industrial from GCI. Please read “—Our Investment in Carlyle Containership-Focused Investment Vehicle—Distributions.” Mr. Porter also serves on the board of managers of GCI and is a voting member of the Transaction Committee of GCI. In addition, Mr. Porter and his affiliates control Tiger Group Investments, or Tiger Group, and Tiger Ventures Limited, which have provided certain financial services to us. Please read “—Arrangements and Fees with Tiger Group Entities.”

#### Management Agreements

Substantially all of the management services for our vessels are provided by our Manager and its subsidiaries.





## Our Investment in Carlyle Containership-Focused Investment Vehicle

### Purpose, Members and Exclusivity

Formed in March 2011, GCI invests primarily in newbuilding and secondhand maritime containership assets that are primarily strategic to Greater China. The members of GCI are (a) Seaspan Investment I Ltd., a subsidiary of us, or the Seaspan Member, (b) the Washington Member, (c) the Tiger Member and (d) GC Industrial. As of February 29, 2016, GCI has 15 vessels in operation and nine newbuilding vessels to be delivered, seven of which newbuilding vessels are subject to long-term charter contracts.

Until the earliest of (a) March 14, 2016, (b) dissolution of GCI and (c) consummation of a sale of GCI, GC Industrial and its subsidiaries shall only invest in containerships through GCI.

### Capital Commitments

GC Industrial, the Seaspan Member and the Washington Member have agreed to make aggregate capital commitments of up to \$900.0 million in GCI. GC Industrial has committed up to \$775.0 million (\$750.0 million of which is a commitment from the Carlyle affiliate members of GC Industrial and \$25.0 million of which is a commitment from the Tiger Member), the Washington Member has committed up to \$25.0 million and the Seaspan Member has committed up to \$100.0 million. The Tiger Member will contribute services to GCI, and 50% of the fees for such services will be paid to the Tiger Member in the form of an equity interest in GCI.

GC Industrial's capital commitment will be reduced to the extent it separately invests in non-containership assets, in which case the capital commitments of other members would be proportionately reduced.

As at December 31, 2015, the Seaspan Member had made capital contributions of \$40.9 million to GCI.

### Distributions

GCI's available cash is distributed as and when determined by GCI's board of managers. Distributions will be made first proportionately to the members to return their respective capital contributions and then proportionately to the members until a cumulative compounded rate of return of 12% has been generated on all member capital contributions. Further distributions will be divided between the members, pro rata in accordance with their respective percentage interests, and GC Industrial, which is entitled to incentive distributions ranging from 20% to 30% depending on the amount of the distributions.

Mr. Wang and Mr. Porter hold economic interests in the Tiger Member, which is a member of GC Industrial. Accordingly, they have indirect economic interests in any incentive distributions received by GC Industrial from GCI. The Washington Member has an indirect interest in the Tiger Member, and accordingly has an indirect economic interest in any incentive distributions received by GC Industrial from GCI.

### Governance

GCI is governed by a board of managers initially consisting of up to nine members. GC Industrial has the right to designate five members, the Tiger Member has the right to designate two members, who are Gerry Wang and Graham Porter, and the Washington Member and the Seaspan Member each have the right to designate one member. Our chief executive officer and co-chairman of our board of directors, Mr. Wang, and our director, Mr. Porter, each provide services to GCI and GC Industrial and pursue investment opportunities for GCI and GC Industrial.

GCI has a Transaction Committee, which is primarily responsible for approving the purchase, newbuild contracting, chartering, financing and technical management of new and existing investments. The voting members of the Transaction Committee are Mr. Wang, Mr. Porter and two GC Industrial designees. Our co-chairman and the Washington Member designee on GCI's board of managers, Kyle R. Washington, is a non-voting member of the Transaction Committee. The Seaspan Member does not have a designee on the Transaction Committee, although Mr. Washington provides to us certain Transaction Committee materials, subject to a confidentiality agreement.

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## Services Agreements

We, the Tiger Member and Carlyle have each agreed to provide certain services to GC Intermodal Operating Company, a subsidiary of GCI. Pursuant to a management agreement, we provide technical and commercial management services with respect to the vessel investments made by GCI for a daily fee of \$750 per vessel once a vessel begins operation, as well as construction supervision fees ranging from \$550,000 to \$650,000 per newbuilding vessel, depending on the size of the vessel. The Tiger Member provides GCI with financial and strategic advisory services pursuant to a management agreement. The Tiger Member generally is entitled to (a) charter fees equal to 1.0% of the monthly gross charter revenue from GCI vessels, (b) transaction fees equal to 0.80% of the purchase or sales price of vessel or newbuilding contracts, payable upon delivery of the vessel and (c) financing fees equal to 0.40% of the aggregate amount of debt or lease financing provided by non-Greater China banks or financial institutions and 0.80% for debt or financing provided by Greater China banks or financial institutions. Carlyle is entitled to transaction, financing and management fees pursuant to a consulting agreement.

## Drag-Along Rights

GC Industrial has customary “drag-along” rights, which will permit it to require other GCI members to join in on sales by GCI Industrial to a third party of a majority of GCI interests. In this case, each member will be required to transfer a percentage of its interest based on the members respective interests in GCI, on terms no less favorable than those offered to GC Industrial. The aggregate purchase price payable in connection with such sale will be allocated among the selling members as if the proceeds were distributed as described above in “—Distributions.”

## Rights of First Refusal and First Offer

### Right of First Refusal

We believe that, until expiration of our right of first refusal agreement with GCI, all of GCI’s containership investment opportunities, or Container Investment Opportunities identified by Gerry Wang, our chief executive officer and the chairman of the board of managers of GCI, will be subject to such right of first refusal. We may exercise this right until March 31, 2016, unless it is terminated earlier as the result of certain triggering events, including if we exercise this right for more than 50% of the aggregate vessels subject to the right prior to specified dates. The Washington Member also has a right of first refusal on Container Investment Opportunities. This right applies to a smaller percentage of vessels and is subordinate to our right of first refusal. Container Investment Opportunities that are not acquired by us or the Washington Member may be acquired by GCI. In addition, we have rights of first offer relating to certain containerships that GCI and the Washington Member may propose to sell or dispose of. Please read “—Rights of First Offer.” These rights of first refusal and first offer provide potential opportunities for us to increase the size of our fleet through selective vessel acquisitions.

Prior to August 15, 2014, we were entitled to exercise our right of first refusal with respect to 100% of the vessels comprising Container Investment Opportunities. As of August 15, 2014, we became entitled to exercise our right of first refusal with respect to a number of vessels (not to exceed 100% of the vessels comprising such Container Investment Opportunity) equal to the sum of:

• 50% of the vessels comprising a Container Investment Opportunity plus  
• a number of vessels equal to:

(a) the total number of vessels with respect to which we previously exercised our right of first refusal, but which vessels were not purchased by us due to the refusal or failure of the other party or parties to the negotiated vessel contracts to execute the contracts (or in cases where such contracts are in the form of a letter of intent that contemplates definitive agreements, the other party's refusal or failure to execute definitive agreements that have the

same material terms as the letter of intent and the right of first refusal notice), minus

(b) the excess of:

(i) the total number of vessels with respect to which we previously exercised our right of first refusal on or after August 15, 2014 and subsequently purchased, over

(ii) 50% of the aggregate number of all vessels comprising all previous Container Investment Opportunities on or after August 15, 2014.

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We have a similar right of first refusal with respect to the acquisition of companies that own containerships which comprise more than 50% of such company's assets.

The right of first refusal will terminate upon the earliest to occur of:

• March 31, 2016;

• the date on which GCI is dissolved or liquidated;

• GCI's election to terminate, given in writing to us and the Washington Member at any time after any of August 15, 2011, August 15, 2012, August 15, 2013, August 15, 2014, November 15, 2014, February 15, 2015, May 15, 2015, August 15, 2015, November 15, 2015 or February 15, 2016, if we have exercised our right of first refusal with respect to greater than 50% of the vessels comprising all Container Investment Opportunities prior to such date (or if we have provided notice to GCI of such event, GCI must notify us whether it elects to terminate the right of first refusal within 90 days after receipt of our notice), subject to certain exceptions;

• consummation of an initial public offering of any equity securities of GCI or any of its subsidiaries; provided that with respect to an initial public offering of a subsidiary, the right of first refusal will remain in effect with respect to GCI and its subsidiaries, but terminate with respect to the subsidiary that consummated the initial public offering and its subsidiaries; and

• generally, upon consummation of a sale to a third party of more than 50% of the outstanding interests of GCI or of assets representing at least 75% of the consolidated net asset value of GCI and its subsidiaries.

#### Rights of First Offer

We have certain rights of first offer if GCI intends to sell or otherwise dispose of one or more containerships (other than in connection with an initial public offering or a sale of GCI). If GCI rejects our offer, it may only sell the vessels to a third party, generally within 180 days of its notice to us, and only for consideration greater than that offered by us. This right of first offer terminates upon the termination of our right of first refusal described above.

Our right of first offer on Washington Member vessels is generally similar to our right of first offer GCI vessels, and applies to certain transfers or sales of any containerships acquired by the Washington Member pursuant to its right of first refusal from GCI. The Washington Member right of first offer terminates after 10 years.

#### Related Party Loans

Please see note 3 to our consolidated financial statements included in this Annual Report for a description of loans to affiliates.

#### Employment Agreement and Other Related Agreements with Gerry Wang

Mr. Wang serves as our chief executive officer. We entered into amended and restated employment and transaction services agreements with Mr. Wang in December 2012, which agreement we amended in August 2014.

The term of Mr. Wang's employment with us continues until the termination of our right of first refusal with GCI, which is scheduled to expire on March 31, 2016, unless earlier terminated. We are in discussion with Mr. Wang regarding a new employment agreement that would extend beyond March 31, 2016. We can provide no assurances as to whether we and Mr. Wang will enter into a new employment agreement or the terms of any such agreement. The amended transaction services agreement becomes effective following any termination of Mr. Wang's employment with us and also expires upon termination of our right of first refusal with GCI.

Mr. Wang's employment agreement with us provides that he receives an annual base salary of \$1.25 million, an annual housing allowance of \$0.25 million and an annual target performance bonus of \$1.2 million, with the bonus payable 50% in cash and 50% in our common shares. In addition, Mr. Wang receives transaction fees equal to 1.25% of the aggregate consideration under any binding agreement that we enter into to construct, sell or acquire a vessel whether or not the transaction was proposed by Mr. Wang. The transaction fees are paid to Mr. Wang either in cash or, at our discretion, a combination of cash and up to 50% in our common shares. During the years ended December 31, 2015, 2014 and 2013, Mr. Wang received transaction fees of approximately \$9.5 million, \$7.3 million and \$3.5 million, respectively.

In connection with the amended employment agreement, we granted to Mr. Wang an award of SARs, which vest and become exercisable in three tranches when and if the fair market value of the common shares equals or exceeds the applicable base price for such tranche for any 20 consecutive trading days on or before the expiration date for such tranche. Mr. Wang may exercise each vested tranche of SARs and receive common shares with a value equal to the spread between the applicable base price and the fair market value of the common shares on the exercise date.

	Number of SARs	Base Price	Expiration Date
Tranche 1	1,846,154	US\$21.50	December 7, 2015
Tranche 2	1,898,734	US\$24.00	December 7, 2016
Tranche 3	1,929,260	US\$26.50	December 7, 2017
Total:	5,674,148		

The SARs were expensed by tranche over each tranche's derived service period. The tranche 1 SARRS vested in 2013.

Mr. Wang has agreed to retain ownership of 50% of the net after-tax number of common shares received upon exercise of the SARs until the later of March 31, 2015 and 120 days after the exercise date with respect to such common shares. If Mr. Wang's employment is terminated by us with cause or Mr. Wang terminates his employment without good reason, all unvested SARs will be forfeited and all vested SARs will remain exercisable until the applicable expiration date. Upon termination of Mr. Wang's employment for any other reason, all unvested SARs will remain outstanding and be eligible for future vesting and exercise, and all vested SARs will remain exercisable until their applicable expiration date. Vesting of the SARs would accelerate in the event of a merger, tender offer or similar change of control transaction in which the amount to be paid to holders of common shares in connection with such transaction exceeds the base price for the applicable tranches of SARs.

Mr. Wang devotes the amount of his time to us that is reasonably necessary to perform his duties, with the understanding that he also provides services to GCI, GC Industrial and the Tiger Member. Pursuant to the employment agreement, we have reduced Mr. Wang's fiduciary duties in relation to certain containership vessel and business opportunities to the extent such opportunities are subject to our right of first refusal with GCI and (a) the conflicts committee of our board of directors has decided to reject such opportunity or we have failed to exercise our right of first refusal to pursue such opportunity, (b) we have exercised such right but failed to pursue such opportunity or (c) we do not have the right under our right of first refusal to pursue such opportunity.

Either party may terminate Mr. Wang's employment agreement at any time, with or without cause. If during the period of Mr. Wang's employment, the right of first refusal granted to us by GCI is terminated, Mr. Wang has agreed to resign from our board of directors at our request.

Upon any termination of Mr. Wang's employment agreement with us before termination of our right of first refusal with GCI, he will continue to provide certain strategic services pursuant to the transaction services agreement. These continued services include identifying and negotiating transactions involving the construction, acquisition or disposition of vessels. In exchange for these services, Mr. Wang will receive fees equal to 1.25% of the aggregate consideration payable to us under any agreement that we enter into to build, acquire or sell a vessel, whether or not the transaction was proposed by Mr. Wang. The transaction fees will be payable in a combination of cash and our common shares. Mr. Wang may engage in business activities unrelated to us and, subject to certain exceptions, he may also compete with us. The transaction services agreement will expire upon the termination of the right of first refusal granted to us by GCI, which is scheduled to expire on March 31, 2016, unless earlier terminated.

As at December 31, 2015, a total of 887,739 of our common shares owned by Mr. Wang and certain of his family members and affiliates were subject to a five-year lock-up agreement entered into in March 2011, as amended, in connection with our investment in GCI. Under this lock-up agreement, Mr. Wang and such other parties have agreed to restrict the transfer of 50% of their then existing shares for three years, and 25% of such shares for years four and five, in each case commencing March 14, 2011. In addition, Mr. Wang has agreed to retain ownership of 50% of the net after-tax number of common shares received upon exercise of the SARs until the later of March 31, 2016 and 120 days after the exercise date with respect to such common shares, as described above.

We have agreed to register with the SEC the shares Mr. Wang earns under his employment agreement and the transaction services agreement with the SEC. Please read “—Registration Rights Agreements.”

#### Employment Agreements with Senior Management

Our senior managers, other than Mr. Wang, including Peter Curtis and Mark Chu have employment arrangements with SSML.

#### Arrangements and Fees with Tiger Group Entities

In connection with certain financial transactions involving us, Tiger Group and Tiger Ventures Limited have received fees for consulting services and certain other services rendered in connection with the arrangement, structuring and negotiation of the transactions. Tiger Group and Tiger Ventures Limited are controlled by Graham Porter, one of our directors. Pursuant to a financial services agreement we entered into with Tiger Venture Limited in March 2011, Tiger Ventures Limited is entitled to financing fees equal to 0.40% of the aggregate amount of debt or lease financing provided by non-Greater China banks or financial institutions and 0.80% for debt or financing provided by Greater China banks or financial institutions, in each case, to be paid regardless of whether Tiger Ventures Limited assisted in arranging such financing. The arrangement fees are paid either in cash or, at our discretion, a combination of cash and up to 50% in our common shares

During the years ended December 31, 2015, 2014 and 2013, we incurred aggregate consulting and arrangement fees of \$8.6 million, \$4.5 million and \$6.6 million, respectively, to Tiger Group and Tiger Ventures Limited.

#### Graham Porter Agreement

In March 2011, in connection with our investment in GCI, we entered into an agreement with our director Graham Porter pursuant to which we have reduced Mr. Porter’s fiduciary duties in relation to certain containership vessel and business opportunities to the extent such opportunities are subject to our right of first refusal with GCI and (a) the conflicts committee of our board of directors has decided to reject such opportunity or we have failed to exercise our right of first refusal to pursue such opportunity, (b) we have exercised such right but failed to pursue such opportunity or (c) we do not have the right under our right of first refusal to pursue such opportunity. Please read “—Our Investment in Carlyle Containership-Focused Investment Vehicle —Rights of First Refusal and First Offer.”

#### Registration Rights Agreements

In connection with each of our initial public offering, our 2009 issuance of Series A preferred shares, our investment in GCI and our acquisition of our Manager in 2012, we entered into one or more registration rights agreements pursuant to which we agreed to file, subject to the terms and conditions of the applicable registration rights agreements, a registration statement under the Securities Act of 1933, as amended, or the Securities Act, and applicable state securities laws, covering common shares issued and/or issuable pursuant to the relevant transaction. Entities affiliated with Dennis R. Washington, his son Kyle R. Washington, the co-chairman of our board of directors,



and Graham Porter, one of our directors, as well as Gerry Wang, our chief executive officer and co-chairman, are parties to one or more of these agreements. Certain of the registration rights agreements give the counterparties piggyback registration rights allowing them to participate in offerings by us to the extent that their participation does not interfere or impede with our offering. In each case, we are obligated to pay substantially all expenses incidental to the registration, excluding underwriting discounts and commissions.

### Series A Preferred Share Offering

In January 2009, we issued a total of 200,000 of our Series A preferred shares to certain investors, including entities affiliated with Dennis R. Washington, his son Kyle R. Washington, the co-chairman of our board of directors, and Graham Porter, one of our directors. The initial liquidation preference of the Series A preferred shares was \$1,000 per share, subject to adjustment. No dividend was payable in respect of the Series A preferred shares until March 31, 2014. Instead, the liquidation preference of the Series A preferred shares increased at a rate of 12% per annum until January 31, 2014, compounded quarterly. The Series A preferred shares entitled to the holders to certain voting and other rights.

On January 30, 2014, as a result of the average closing price of our Class A common shares for the preceding 30 trading days exceeding \$15.00 per share, our 200,000 outstanding Series A preferred shares automatically converted into a total of 23,177,175 of our Class A common shares pursuant to our articles of incorporation.

### Change of Control Plan

We established a change of control severance plan, or the Change of Control Plan, for certain employees of our indirect subsidiary, SSML, effective as of January 1, 2009. The purpose of the Change of Control Plan is to allow SSML to recruit qualified employees and limit the loss or distraction of such qualified employees that may result from the possibility of a change of control.

Under the terms of the Change of Control Plan, certain employees of SSML, or the Participants, are entitled to receive from us a severance benefit if their employment is terminated due to a qualifying termination. A qualifying termination means a termination by either SSML (if the Participant is terminated for reasons other than cause, death or disability) or by the Participant (if the Participant resigns for good reason, which includes a reduction in base salary or a material diminution in responsibilities, among other things) within a certain period of time following a change of control. A change of control includes:

- the sale or other disposition of all or substantially all of our assets in certain circumstances;
- a transaction where certain persons become the beneficial owner of more than a majority of our common shares;
- a change in our directors after which a majority of our board are not continuing directors (as defined in the Change of Control Plan); or
- the consolidation or merger of us with or into any person in certain circumstances.

A change of control does not include certain transactions or events involving Dennis R. Washington, Kyle R. Washington, Kevin L. Washington, Gerry Wang or Graham Porter or any of their respective affiliates.

The time period during which a Participant will be entitled to any benefits under the Change of Control Plan following a change of control and the severance benefit to which he or she will be entitled on a qualifying termination depends on the tier in which the Participant is placed in the Change of Control Plan. The Change of Control Plan is composed of three tiers of Participants and the chief executive officer of SSML may add or remove Participants from the Change of Control Plan at any time with our prior written consent.

Tier 1 Participants are entitled to severance benefits on a qualifying termination for a two-year period following a change of control and they will receive from us 30 months of their current base salary and bonuses. Tier 2 and Tier 3 Participants are entitled to severance benefits on a qualifying termination for a one-year period following a change of control and will receive from us 18 months and nine months, respectively, of their current base salary and bonus. All Participants will also become fully vested in all outstanding incentive awards in addition to receiving their severance benefits. Participants will also receive certain other benefits, including but not limited to health, dental and life insurance benefits for a three-month period subject to the permission of the benefits carrier.

We will require any entity who is our successor to assume and agree to perform our obligations under the Change of Control Plan. The Participants will only be entitled to benefits under the Change of Control Plan upon providing us and SSML with a release and waiver.

## Item 8. Financial Information

### A. Financial Statements and Other Financial Information

Please see Item 18 below.

### Legal Proceedings

We have not been involved in any legal proceedings that may have, or have had a significant effect on our business, financial position, results of operations or liquidity, and we are not aware of any proceedings that are pending or threatened that may have a material effect on our business, financial position, results of operations or liquidity. From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. We expect that these claims would be covered by insurance, subject to customary deductibles. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

### Dividend Policy

From our initial public offering in 2005 to 2008, our quarterly dividend on Class A and B common shares was \$0.475 per share. From 2009 to the first quarter of 2010, our quarterly dividend on Class A common shares was \$0.10 per share, from the second quarter of 2010 to the fourth quarter of 2010, our quarterly dividend was \$0.125 per share, from the first quarter of 2011 to the fourth quarter of 2011, our quarterly dividend was \$0.188 per share, for each quarter of 2012, our dividend was \$0.25 per share, for each quarter of 2013, our dividend was \$0.3125 per share, for each quarter of 2014, our dividend was \$0.345 per share and for each quarter of 2015, our dividend was \$0.375.

Since our initial public offering, our board of directors adopted a dividend policy to pay a regular quarterly dividend on our common shares while reinvesting a portion of our operating cash flow in our business. Retained cash flow may be used, among other things, to fund vessel or fleet acquisitions, create reserves for vessel replacement costs, other capital expenditures and debt repayments, as determined by our board of directors. This dividend policy reflects our judgment that by retaining a portion of our cash flow in our business, we will be able to provide better value to our shareholders by enhancing our longer term dividend paying capacity.

Our board of directors has adopted a dividend policy aimed at increasing our dividends on our Class A common shares in a controlled and sustainable 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 over time, while continuing to permit us to pursue our growth strategy and accommodating for the economic climate. It is our goal to increase our dividend over time through accretive acquisitions of additional vessels; however, there can be no assurance that we will be successful in meeting our goal.

There are a number of factors that could affect the dividends on our Class A common shares in the future. Many of these factors could also affect our ability to pay dividends on our preferred shares. As a result of these factors, you may not receive dividends based on current amounts or at all. These factors include, among others, the following:

- we may not have enough cash to pay dividends due to changes in our operating cash flow, capital expenditure requirements, working capital requirements and other cash needs;
- our ability to pay dividends is dependent upon the charter rates on new vessels and those obtained upon the expiration of our existing charters;
- while the dividend policy adopted by our board of directors contemplates the distribution of a substantial portion of our cash available to pay dividends on our Class A common shares, our board of directors could modify or revoke this policy at any time;

even if our dividend policy is not modified or revoked, the actual amount of dividends distributed under the policy and the decision to make any distribution will remain at all times entirely at the discretion of our board of directors;

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the amount of dividends that we may distribute is limited by restrictions under our senior secured credit facilities and future indebtedness could contain covenants that are even more restrictive; in addition, our credit facilities require us to comply with various financial covenants, and our credit facilities prohibit the payment of dividends if an event of default has occurred and is continuing under our credit facilities or if the payment of the dividend would result in an event of default;

the amount of dividends that we may distribute is subject to restrictions under Marshall Islands law; and

our common shareholders have no contractual or other legal right to dividends, and we are not otherwise required to pay dividends.

For the 2016 fiscal year, we expect to pay an annual dividend of \$1.50, in the following manner:

Record Date	Payment Date	Amount Per Share
April 20, 2016	May 2, 2016	\$ 0.375
July 20, 2016	August 1, 2016	0.375
October 20, 2016	October 31, 2016	0.375
January 20, 2017	January 30, 2017	0.375

All dividends are subject to declaration by our board of directors. Our board of directors may review and amend our dividend policy from time to time in light of our plans for future growth and other factors. We cannot provide assurance that we will pay, or be able to pay, regular quarterly dividends in the amounts and manner stated above.

Please read “Item 3. Key Information—D. Risk Factors—Risks Inherent in Our Business” for a more detailed description of various factors that could reduce or eliminate our ability to pay dividends.

#### B. Significant Changes

None.

## Item 9. The Offer and Listing

Our common shares are traded on the NYSE under the symbol “SSW.” The following table sets forth the high and low prices for the common shares on the NYSE for the periods indicated.

	High	Low
January 1, 2011 to December 31, 2011	\$21.33	\$10.21
January 1, 2012 to December 31, 2012	19.98	13.50
January 1, 2013 to December 31, 2013	25.10	16.46
January 1, 2014 to December 31, 2014	24.36	16.81
January 1, 2015 to December 31, 2015	20.87	14.02
First quarter 2014	23.69	21.32
Second quarter 2014	24.08	21.10
Third quarter 2014	24.36	21.45
Fourth quarter 2014	21.44	16.81
First quarter 2015	19.10	17.04
Second quarter 2015	20.87	18.11
Third quarter 2015	19.70	14.80
Fourth quarter 2015	17.28	14.02
September 2015	17.39	14.95
October 2015	17.28	15.06
November 2015	16.77	14.92
December 2015	16.38	14.02
January 2016	16.98	13.67
February 2016	17.18	14.97
March 1 through March 4, 2016	18.36	16.95

Our Series C preferred shares are traded on the NYSE under the symbol “SSW PR C.”. The following table sets forth the high and low prices for the Series C preferred shares on the NYSE since the date of listing for the periods indicated.

	High	Low
February 2, 2011 to December 31, 2011	\$29.33	\$25.03
January 1, 2012 to December 31, 2012	29.02	26.50
January 1, 2013 to December 31, 2013	28.40	25.50
January 1, 2014 to December 31, 2014	28.10	25.52
January 1, 2015 to December 31, 2015	27.35	24.06
First quarter 2014	27.89	26.10
Second quarter 2014	27.90	26.50
Third quarter 2014	28.10	25.95
Fourth quarter 2014	27.87	25.52
First quarter 2015	27.35	26.09
Second quarter 2015	27.27	25.37
Third quarter 2015	26.33	24.06
Fourth quarter 2015	26.03	24.10

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September 2015	25.50	24.65
October 2015	26.03	25.21
November 2015	25.76	24.89
December 2015	25.34	24.10
January 2016	25.20	22.00
February 2016	24.95	23.10
March 1 through March 4, 2016	24.63	24.30



Our Series D preferred shares are traded on the NYSE under the symbol “SSW PR D.”. The following table sets forth the high and low prices for the Series D preferred shares on the NYSE since the date of listing for the periods indicated.

	High	Low
December 21, 2012 to December 31, 2012	\$25.35	\$24.61
January 1, 2013 to December 31, 2013	27.50	24.55
January 1, 2014 to December 31, 2014	27.34	24.25
January 1, 2015 to December 31, 2015	26.67	21.28
First quarter 2014	25.96	24.71
Second quarter 2014	26.64	25.15
Third quarter 2014	27.34	25.90
Fourth quarter 2014	26.89	24.25
First quarter 2015	26.67	25.35
Second quarter 2015	26.60	24.90
Third quarter 2015	25.10	21.28
Fourth quarter 2015	24.94	22.05
September 2015	23.41	21.28
October 2015	24.94	22.85
November 2015	24.35	23.34
December 2015	24.40	22.05
January 2016	24.80	22.08
February 2016	24.75	20.73
March 1 through March 4, 2016	23.20	22.23

Our Series E preferred shares are traded on the NYSE under the symbol “SSW PR E.”. The following table sets forth the high and low prices for the Series E preferred shares on the NYSE since the date of listing for the periods indicated.

	High	Low
February 10, 2014 through December 31, 2014	\$26.95	\$24.25
January 1, 2015 to December 31, 2015	26.56	20.79
February 10, 2014 to March 31, 2014	25.67	24.60
Second quarter 2014	26.65	25.47
Third quarter 2014	26.95	25.90
Fourth quarter 2014	26.60	24.25
First quarter 2015	26.41	25.10
Second quarter 2015	26.56	24.95
Third quarter 2015	25.66	20.79
Fourth quarter 2015	25.68	22.82
September 2015	24.23	22.80
October 2015	25.68	23.87

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November 2015	25.11	24.25
December 2015	24.95	22.82
January 2016	24.12	21.15
February 2016	23.26	19.45
March 1 through March 4, 2016	22.40	21.40

Our Notes are traded on the NYSE under the symbol “SSWN.”. The following table sets forth the high and low prices for our Notes on the NYSE since the date of listing for the periods indicated.

	High	Low
April 8, 2014 through December 31, 2014	\$25.94	\$23.90
January 1, 2015 to December 31, 2015	25.99	22.00
April 8, 2014 through June 30, 2014	25.79	25.00
Third quarter 2014	25.94	24.66
Fourth quarter 2014	25.75	23.90
First quarter 2015	25.99	24.35
Second quarter 2015	25.72	24.75
Third quarter 2015	25.65	24.76
Fourth quarter 2015	25.20	22.00
September 2015	25.23	24.76
October 2015	25.20	24.76
November 2015	24.95	24.06
December 2015	24.79	22.00
January 2016	24.50	22.75
February 2016	24.25	22.95
March 1 through March 4, 2016	24.73	23.75

#### Item 10. Additional Information

##### A. Share Capital

Not applicable.

##### B. Memorandum and Articles of Association

Our articles of incorporation have previously been filed as Exhibit 3.1 to Amendment No. 2 to Form F-1 (File No. 333-126762), filed with the SEC on August 4, 2005 and are hereby incorporated by reference into this Annual Report. Amendments to our articles of incorporation were previously filed as Exhibit 3.2 to Form 8-A12B (File No. 1-32591), filed with the SEC on February 13, 2014 and as Exhibit 3.3 to Form 6-K (File No. 001-32591), filed with the SEC on April 30, 2015. Our amended and restated bylaws were previously filed as Exhibit 1.2 to Form 20-F (File No. 333-32591), filed with the SEC on March 23, 2012, and an amendment to our amended and restated bylaws was previously filed as Exhibit 3.5 to Form 6-K (File No. 001-32591), filed with the SEC on April 30, 2015, and are hereby incorporated by reference into this Annual Report. In connection with our Series A preferred share offering, Series B preferred share offering, Series C preferred share offering, Series D preferred share offering, Series E preferred share offering, and the authorization of Series R preferred shares with respect to our shareholders rights plan, we filed Statements of Designation with respect to each such series of preferred shares with the Registrar of Corporations of the Republic of the Marshall Islands. Under the BCA, the Statements of Designation are deemed amendments to our articles of incorporation. The Series A Statement of Designation was previously filed as Exhibit 3.1 to our Report on Form 6-K filed on February 2, 2009 and is hereby incorporated by reference into this Annual Report. The Series B Statement of Designation was previously filed as Exhibit 3.1 to our Report on Form 6-K filed on June 4, 2010 and is hereby incorporated by reference into this Annual Report. The Series C Statement of

Designation was previously filed as Exhibit 3.3 to our Report on Form 8-A12B filed on January 28, 2011 and is hereby incorporated by reference into this Annual Report. The Series D Statement of Designation was previously filed as Exhibit 3.3 to our Report on Form 8-A12B filed on December 13, 2012 and is hereby incorporated by reference into this Annual Report. The Series E Statement of Designation was previously filed as Exhibit 3.4 to Form 8-A12B filed on February 13, 2014 and is hereby incorporated by reference into this Annual Report. The Series R Statement of Designation is part of Exhibit 4.1 to our Report on Form 8-A12B filed with the SEC on April 19, 2011.

The necessary actions required to change the rights of shareholders, and the conditions governing the manner in which annual general meetings and special meetings of shareholders, are convened are described in our bylaws.

We previously had in place a shareholder rights agreement that could have had the effect of delaying, deferring or preventing a change in control of Seaspan. The shareholder rights agreement was originally adopted in August 2005 and expired in November 2015.

C. Material Contracts

The following is a summary of each material contract, other than material contracts entered into in the ordinary course of business, to which we are, and have been for the two years immediately preceding the date of this Annual Report, a party:

(a) Credit Facility Agreement providing for a Senior Secured Reducing Revolving Credit Facility of up to \$365,000,000 dated May 19, 2006, among Seaspan Corporation, DnB Nor Bank ASA, as Sole Bookrunner, Administrative Agent and Security Agent, Credit Suisse and Fortis Capital Corp., as Mandated Lead Arrangers and Landesbank Hessen-Thüringen as documentation agent, previously filed as Exhibit 1 to the Company's Form 6-K, filed with the SEC on June 12, 2006.

(b) Amended and Restated Management Agreement dated as of May 4, 2007, among Seaspan Corporation, Seaspan Management Services Limited, Seaspan Advisory Services Limited, Seaspan Ship Management Ltd. and Seaspan Crew Management Ltd., previously filed as Exhibit 99.1 to the Company's Form 6-K/A, filed with the SEC on October 10, 2007, as amended by Amendment to Amended and Restated Management Agreement among Seaspan Corporation, Seaspan Management Services Limited, Seaspan Advisory Services Limited, Seaspan Ship Management Ltd. and Seaspan Crew Management Ltd. dated as of August 5, 2008, previously filed as Exhibit 4.9 to Form 20-F, filed with the SEC on March 30, 2011.

(c) Amendment No. 1 to Credit Facility Agreement providing for a Senior Secured Reducing Revolving Credit Facility of up to \$365,000,000, dated June 29, 2007, among Seaspan Corporation, DnB Nor Bank, ASA, as Sole Bookrunner, Administrative Agent and Security Agent, Credit Suisse and Fortis Capital Corp., as Mandated Lead Arrangers and Landesbank Hessen-Thüringen as documentation agent, previously filed as Exhibit 99.4 to Form 6-K/A, filed with the SEC on October 10, 2007.

(d) Amendment No. 2 to Credit Facility Agreement providing for a Senior Secured Reducing Revolving Credit Facility of up to \$365,000,000 dated August 7, 2007, among Seaspan Corporation, DnB Nor Bank ASA, as Sole Bookrunner, Administrative Agent and Security Agent, Credit Suisse and Fortis Capital Corp., as Mandated Lead Arrangers and Landesbank Hessen-Thüringen as documentation agent, previously filed as Exhibit 4.17 to Form 20-F, filed with the SEC on March 24, 2008.

(e) U.S. \$920,000,000 Reducing Revolving Credit Facility dated August 8, 2007, among DnB Nor Bank ASA, Credit Suisse, The Export-Import Bank of China, Industrial and Commercial Bank of China Limited and Sumitomo Mitsui Banking Corporation, Brussels Branch, previously filed as Exhibit 99.1 to the Company's Form 6-K, filed with the SEC on August 9, 2007.

(f) Amended and Restated Shareholders Rights Agreement dated April 19, 2011, by and between Seaspan Corporation and American Stock Transfer & Trust Company, LLC as Rights Agent, previously filed as Exhibit 4.1 to Form 8-A, filed with the SEC on April 19, 2011, as amended by Amendment No. 1 to Amended and Restated Shareholders Rights Agreement dated January 27, 2012, by and between Seaspan Corporation and American Stock Transfer & Trust Company, LLC as Rights Agent, previously filed as Exhibit 4.6 to Form 6-K, filed with the SEC on January 30, 2012, Amendment No. 2 to Amended and Restated Shareholders Rights Agreement dated December 27, 2012, by and between Seaspan Corporation and American Stock Transfer & Trust Company, LLC as Rights Agent, previously filed as Exhibit 4.3 to Form 8-A12B, filed with the SEC on December 27, 2012 and Amendment No. 3 to Amended and

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Restated Shareholders Rights Agreement dated July 30, 2015, by and between Seaspan Corporation and American Stock Transfer & Trust Company, LLC as Rights Agent, previously filed as Exhibit 4.4 to Form 6-K, filed with the SEC on July 31, 2015.

(g) Registration Rights Agreement dated August 8, 2005, by and among Seaspan Corporation and certain investors named therein, previously filed as Exhibit 10.1 to Amendment No. 2 to Form F-1, filed with the SEC on August 4, 2005.

(h) Registration Rights Agreement dated January 30, 2009, by and among Seaspan Corporation and certain investors named therein, previously filed as Exhibit 10.3 to Form 6-K, filed with the SEC on February 2, 2009.

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- (i) Form of Registration Rights Agreement, previously filed as Exhibit 4.10 to Form 6-K, filed with the SEC on March 14, 2011.
- (j) Registration Rights Agreement dated January 27, 2012, by and among Seaspan Corporation and certain shareholders named therein, previously filed as Exhibit 4.5 to Form 6-K, filed with the SEC on January 30, 2012.
- (k) Change of Control Severance Plan for Employees of Seaspan Ship Management Ltd., effective as of January 1, 2009, previously filed as Exhibit 4.34 to Form 20-F, filed with the SEC on March 31, 2009.
- (l) Amended and Restated Limited Liability Company Agreement of Greater China Intermodal Investments LLC, dated March 14, 2011, previously filed as Exhibit 4.1 to Form 6-K, filed with the SEC on March 14, 2011.
- (m) Right of First Refusal Agreement among Seaspan Corporation, Greater China Intermodal Investments LLC and Blue Water Commerce, LLC, dated March 14, 2011, previously filed as Exhibit 4.2 to Form 6-K, filed with the SEC on March 14, 2011.
- (n) Right of First Offer Agreement between Seaspan Corporation and Blue Water Commerce, LLC, dated March 14, 2011, previously filed as Exhibit 4.3 to Form 6-K, filed with the SEC on March 14, 2011.
- (o) Amended and Restated Employment Agreement between Seaspan Corporation and Gerry Wang, dated December 7, 2012, previously filed as Exhibit 4.42 to Form 20-F, filed with the SEC on March 18, 2013.
- (p) Amended and Restated Transaction Services Agreement between Seaspan Corporation and Gerry Wang, dated December 7, 2012, previously filed as Exhibit 4.43 to Form 20-F, filed with the SEC on March 18, 2013.
- (q) Lock Up Agreement between Seaspan Corporation and Gerry Wang, dated December 7, 2012, previously filed as Exhibit 4.44 to Form 20-F, filed with the SEC on March 18, 2013.
- (r) Stock Appreciation Rights and Grant Notice between Seaspan Corporation and Gerry Wang, dated December 7, 2012, previously filed as Exhibit 4.45 to Form 20-F, filed with the SEC on March 18, 2013.
- (s) Financial Services Agreement between Seaspan Corporation and Tiger Ventures Limited, dated March 14, 2011, previously filed as Exhibit 4.7 to Form 6-K, filed with the SEC on March 14, 2011.
- (t) Graham Porter Letter Agreement, dated March 14, 2011, previously filed as Exhibit 4.9 to Form 6-K, filed with the SEC on March 14, 2011.
- (u) Share Purchase Agreement, dated as of January 27, 2012, among Seaspan Corporation, Seaspan Management Services Limited, The Kevin Lee Washington Trust II, the Kyle Roy Washington 2005 Irrevocable Trust under agreement dated July 15, 2005 and Thetis Holdings Ltd., previously filed as Exhibit 4.1 to Form 6-K, filed with the SEC on January 30, 2012.
- (v) Form of Lockup Agreement, previously filed as Exhibit 4.3 to Form 6-K, filed with the SEC on January 30, 2012.
- (w) U.S. \$1,300,000,000 Credit Facility Agreement for Seaspan Corporation as Borrower and Arranged by Citigroup Global Markets Limited and BNP Paribas, with Citigroup Global Markets Limited, Credit Suisse AG, DNB Banks ASA, New York Branch (formerly known as DnB Nor ASA), BNP Paribas, Landesbank Hessen-Thüringen Girozentrale, New York branch as Mandated Lead Arrangers with BNP Paribas as Facility Agent, dated as of August 8, 2005, as amended from time to time and as amended and restated on May 11, 2007 and December 23, 2013,

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previously filed as Exhibit 4.47 to Form 20-F, filed with the SEC on March 11, 2014.

(x) Amendment to Right of First Refusal Agreement dated August 11, 2014 among Seaspan Corporation, Greater China Intermodal Investments LLC and Blue Water Commerce, LLC, previously filed as Exhibit 4.30 to Form 20-F, filed with the SEC on March 10, 2015.

(y) Amendment to Amended and Restated Executive Employment Agreement dated August 19, 2014 between Seaspan Corporation and Gerry Wang, previously filed as Exhibit 4.31 to Form 20-F, filed with the SEC on March 10, 2015.

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(z) Amendment to Amended and Restated Transaction Services Agreement dated August 19, 2014 between Seaspan Corporation and Gerry Wang, previously filed as Exhibit 4.32 to Form 20-F, filed with the SEC on March 10, 2015.

(aa) Amendment to Financial Services Agreement dated August 19, 2014 between Seaspan Corporation and Tiger Ventures Limited, previously filed as Exhibit 4.33 to Form 20-F, filed with the SEC on March 10, 2015.

(bb) Amendment to Lock Up Agreement dated August 19, 2014 among Seaspan Corporation and Gerry Wang, previously filed as Exhibit 4.34 to Form 20-F, filed with the SEC on March 10, 2015.

#### D. Exchange Controls

We are not aware of any governmental laws, decrees or regulations in the Republic of the Marshall Islands that restrict the export or import of capital, including foreign exchange controls, or that affect the remittance of dividends, interest or other payments to non-resident holders of our securities.

We are not aware of any limitations on the right of non-resident or foreign owners to hold or vote our securities imposed by the laws of the Republic of the Marshall Islands or our articles of incorporation and bylaws.

#### E. Taxation

##### Material U.S. Federal Income Tax Considerations

The following is a discussion of certain material U.S. federal income tax considerations that may be relevant to our shareholders. This discussion is based upon the provisions of the Code, applicable U.S. Treasury Regulations promulgated thereunder, legislative history, judicial authority and administrative interpretations, as of the date of this Annual Report, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Changes in these authorities may cause the U.S. federal income tax considerations to vary substantially from those described below.

This discussion applies only to beneficial owners of our shares that own the shares as “capital assets” (generally, for investment purposes) and does not comment on all aspects of U.S. federal income taxation that may be important to certain shareholders in light of their particular circumstances, such as shareholders subject to special tax rules (e.g., financial institutions, regulated investment companies, real estate investment trusts, insurance companies, traders in securities that have elected the mark-to-market method of accounting for their securities, persons liable for alternative minimum tax, broker-dealers, tax-exempt organizations, or former citizens or long-term residents of the United States) or shareholders that hold our shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes, all of whom may be subject to U.S. federal income tax rules that differ significantly from those summarized below. If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our shares, the tax treatment of its partners generally will depend upon the status of the partner and the activities of the partnership. Partners in partnerships holding our shares should consult their own tax advisors to determine the appropriate tax treatment of the partnership’s ownership of our shares.

No ruling has been requested from the IRS regarding any matter affecting us or our shareholders. Accordingly, statements made herein may not be sustained by a court if contested by the IRS.

This discussion does not address any U.S. estate, gift or alternative minimum tax considerations or tax considerations arising under the laws of any state, local or non-U.S. jurisdiction. Shareholders are urged to consult their own tax advisors regarding the U.S. federal, state, local, non-U.S. and other tax consequences of owning and disposing of our

shares.

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## U.S. Federal Income Taxation of U.S. Holders

As used herein, the term “U.S. Holder” means a beneficial owner of our shares that is for U.S. federal income tax purposes: (a) a U.S. citizen or U.S. resident alien (or a U.S. Individual Holder); (b) a corporation, or other entity taxable as a corporation that was created or organized under the laws of the United States, any state thereof, or the District of Columbia; (c) an estate whose income is subject to U.S. federal income taxation regardless of its source or (d) a trust that either is subject to the supervision of a court within the United States and has one or more U.S. persons with authority to control all of its substantial decisions or has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

## Distributions

Subject to the discussion of passive foreign investment companies, or PFICs, below, any distributions made by us to a U.S. Holder generally will constitute dividends, which may be taxable as ordinary income or “qualified dividend income” as described in more detail in the paragraph below, to the extent of our current and accumulated earnings and profits allocated to the U.S. Holder’s shares, as determined under U.S. federal income tax principles. Distributions in excess of our current and accumulated earnings and profits allocated to the U.S. Holder’s shares will be treated first as a nontaxable return of capital to the extent of the U.S. Holder’s tax basis in our shares and thereafter as capital gain, which will be either long-term or short-term capital gain depending upon whether the U.S. Holder has held the shares for more than one year. U.S. Holders that are corporations generally will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. For purposes of computing allowable foreign tax credits for U.S. federal income tax purposes, dividends received with respect to our shares will be treated as foreign source income and generally will be treated as “passive category income.”

Under current law, subject to holding-period requirements and certain other limitations, dividends received with respect to our publicly traded shares by a U.S. Holder who is an individual, trust or estate (a Non-Corporate U.S. Holder), generally will be treated as qualified dividend income that is taxable to such Non-Corporate U.S. Holder at preferential capital gain tax rates (provided we are not classified as a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year).

Special rules may apply to any “extraordinary dividend” paid by us. Generally, an extraordinary dividend is a dividend with respect to a share of stock that is equal to or in excess of 10% of a common shareholder’s, or 5% of a preferred shareholder’s, adjusted tax basis (or fair market value upon the shareholder’s election) in such share. In addition, extraordinary dividends include dividends received within a one year period that, in the aggregate, equal or exceed 20% of a shareholder’s adjusted tax basis (or fair market value). If we pay an extraordinary dividend on our shares that is treated as qualified dividend income, then any loss recognized by a Non-Corporate U.S. Holder from the sale or exchange of such shares will be treated as long-term capital loss to the extent of the amount of such dividend.

## Sale, Exchange or Other Disposition of Our Shares

Subject to the discussion of PFICs, below, a U.S. Holder generally will recognize capital gain or loss upon a sale, exchange or other disposition of our shares in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder’s tax basis in such shares.

Subject to the discussion of extraordinary dividends above, gain or loss recognized upon a sale, exchange or other disposition of our shares generally will be treated as (a) long-term capital gain or loss if the U.S. Holder’s holding period is greater than one year at the time of the sale, exchange or other disposition, or short-term capital gain or loss otherwise, and (b) U.S. source income or loss, as applicable, for foreign tax credit purposes. Non-Corporate U.S. Holders may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. A U.S.

Holder's ability to deduct capital losses is subject to certain limitations.

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### Consequences of CFC Classification

If CFC Shareholders (generally, U.S. Holders who each own, directly, indirectly or constructively, 10% or more of the total combined voting power of all classes of our outstanding shares entitled to vote) own directly, indirectly or constructively more than 50% of either the total combined voting power of all classes of our outstanding shares entitled to vote or the total value of all of our outstanding shares, we generally would be treated as a controlled foreign corporation, or a CFC. We were treated as a CFC in 2015 and we believe we will be treated as a CFC in 2016. It is unclear whether we would be treated as a CFC in future years.

CFC Shareholders are treated as receiving current distributions of their respective share of certain income of the CFC without regard to any actual distributions. In addition, CFC Shareholders are subject to certain burdensome U.S. federal income tax and administrative requirements but generally are not also subject to the requirements generally applicable to shareholders of a PFIC (as discussed below). In addition, a person who is or has been a CFC Shareholder may recognize ordinary income on the disposition of shares of the CFC. U.S. persons who may obtain a substantial interest in us should consider the potential implications of being treated as a CFC Shareholder.

The U.S. federal income tax consequences to U.S. Holders who are not CFC Shareholders would not change if we are a CFC.

### PFIC Status and Significant Tax Consequences

Special and adverse U.S. federal income tax rules apply to a U.S. Holder that holds stock in a non-U.S. entity treated as a corporation and classified as a PFIC for U.S. federal income tax purposes. In general, we will be treated as a PFIC for any taxable year in which either (a) at least 75% of our gross income (including the gross income of certain of our subsidiaries) consists of passive income or (b) at least 50% of the average value of our assets (including the assets of certain of our subsidiaries) is attributable to assets that produce, or are held for the production of passive income. For the purposes of these tests, passive income includes dividends, interest, gains from the sale or exchange of investment property and rents and royalties (other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business) but does not include income derived from the performance of services. There are legal uncertainties involved in determining whether the income derived from our time chartering activities constitutes rental income or income derived from the performance of services, including legal uncertainties arising from the decision in *Tidewater Inc. v. United States*, 565 F.3d 299 (5th Cir. 2009), which held that income derived from certain time chartering activities should be treated as rental income rather than services income for purposes of a foreign sales corporation provision of the Code. However, the IRS stated in an Action on Decision, or AOD 2010-01, that it disagrees with, and will not acquiesce to, the way that the rental versus services framework was applied to the facts in the *Tidewater* decision, and in its discussion stated that the time charters at issue in *Tidewater* would be treated as producing services income for PFIC purposes. The IRS's statement with respect to *Tidewater* cannot be relied upon or otherwise cited as precedent by taxpayers. Consequently, in the absence of any binding legal authority specifically relating to the statutory provisions governing PFICs, there can be no assurance that the IRS or a court would not follow the *Tidewater* decision in interpreting the PFIC provisions of the Code. Nevertheless, based on the current composition of our assets and operations (and that of our subsidiaries), we intend to take the position that we are not now and have never been a PFIC. Further, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC with respect to any taxable year, there can be no assurance that the nature of our operations, and therefore the composition of our income and assets, will remain the same in the future. Moreover, the market value of our stock may be treated as reflecting the value of our assets at any given time. Therefore, a decline in the market value of our stock (which is not within our control) may impact the determination of whether we are a PFIC. Because our status as a PFIC for any taxable year will not be determinable until after the end of the taxable year, there can be no assurance that we will not be considered a PFIC for any future taxable year.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a U.S. Holder generally would be subject to one of three different U.S. income tax regimes, depending on whether the U.S. Holder makes certain elections.

### Taxation of U.S. Holders Making a Timely QEF Election

If we were classified as a PFIC for a taxable year, a U.S. Holder making a timely election to treat us as a “Qualified Electing Fund” for U.S. tax purposes, or a QEF Election would be required to report its pro rata share of our ordinary earnings and our net capital gain, if any, for our taxable year that ends with or within the U.S. Holder’s taxable year regardless of whether the U.S. Holder received distributions from us in that year. Such income inclusions would not be eligible for the preferential tax rates applicable to qualified dividend income. The U.S. Holder’s adjusted tax basis in our shares would be increased to reflect taxed but undistributed earnings and profits, and distributions of earnings and profits that had previously been taxed would not be taxed again when distributed but would result in a corresponding reduction in the U.S. Holder’s adjusted tax basis in our shares. The U.S. Holder generally would recognize capital gain or loss on the sale, exchange or other disposition of our shares. A U.S. Holder would not, however, be entitled to a deduction for its pro-rata share of any losses that we incurred with respect to any year.

A U.S. Holder would make a QEF Election with respect to any year that we are a PFIC by filing IRS Form 8621 with its U.S. federal income tax return and complying with all other applicable filing requirements. However, a U.S. Holder’s QEF Election will not be effective unless we annually provide the U.S. Holder with certain information concerning our income and gain, calculated in accordance with the Code, to be included with the U.S. Holder’s U.S. federal income tax return. We have not provided our U.S. Holders with such information in prior taxable years and do not intend to provide such information in the current taxable year. Accordingly, you will not be able to make an effective QEF Election at this time. If, contrary to our expectations, we determine that we are or expect to be a PFIC for any taxable year, we will provide U.S. Holders with the information necessary to make an effective QEF Election with respect to our shares.

### Taxation of U.S. Holders Making a “Mark-to-Market” Election

Alternatively, if we were to be treated as a PFIC for any taxable year and, as we believe, our shares are treated as “marketable stock,” then a U.S. Holder would be allowed to make a “mark-to-market” election with respect to our shares, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions. If that election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of our shares at the end of the taxable year over the U.S. Holder’s adjusted tax basis in our shares. The U.S. Holder also would be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder’s adjusted tax basis in our shares over the fair market value thereof at the end of the taxable year (but only to the extent of the net amount previously included in income as a result of the mark-to-market election). The U.S. Holder’s tax basis in our shares would be adjusted to reflect any such income or loss recognized. Gain realized on the sale, exchange or other disposition of our shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of our shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included in income by the U.S. Holder. Because the mark-to-market election only applies to marketable stock, however, it would not apply to a U.S. Holder’s indirect interest in any of our subsidiaries that were also determined to be PFICs.

### Taxation of U.S. Holders Not Making a Timely QEF Election or Mark-to-Market Election

Finally, if we were to be treated as a PFIC for any taxable year and if a U.S. Holder did not make either a QEF Election or a mark-to-market election for that year, the U.S. Holder would be subject to special rules resulting in increased tax liability with respect to (a) any excess distribution (i.e., the portion of any distributions received by the U.S. Holder on our shares in a taxable year in excess of 125% of the average annual distributions received by the U.S. Holder in the three preceding taxable years, or, if shorter, the U.S. Holder’s holding period for our shares) and (b) any gain realized on the sale, exchange or other disposition of our shares. Under these special rules:

the excess distribution or gain would be allocated ratably over the U.S. Holder's aggregate holding period for our shares;

the amount allocated to the current taxable year and any taxable year prior to the year we were first treated as a PFIC with respect to the U.S. Holder would be taxed as ordinary income in the current taxable year;

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the amount allocated to each other taxable year would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayers for that year, and  
an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

Additionally, for each year during which a U.S. Holder owns shares, we are a PFIC and the total value of all PFIC stock that such U.S. Holder directly or indirectly owns exceeds certain thresholds, such U.S. Holder will be required to file IRS Form 8621 with its annual U.S. federal income tax return to report its ownership of our shares. In addition, if a U.S. Individual Holder dies while owning our shares, such U.S. Individual Holder's successor generally would not receive a step-up in tax basis with respect to such shares.

U.S. Holders are urged to consult their own tax advisors regarding the PFIC rules, including the PFIC annual reporting requirements, as well as the applicability, availability and advisability of, and procedure for, making QEF Elections, mark-to-market elections and other available elections with respect to us, and the U.S. federal income tax consequences of making such elections.

#### Medicare Tax on Unearned Income

Certain Non-Corporate U.S. Holders are subject to a 3.8% tax on certain investment income, including dividends and gain from the sale or other disposition of our shares. Non-Corporate U.S. Holders should consult their tax advisors regarding the effect, if any, of this tax on their ownership and disposition of our shares.

#### U.S. Return Disclosure Requirements for U.S. Individual Holders

U.S. Individual Holders that hold certain specified foreign financial assets, including stock in a foreign corporation that is not held in an account maintained by a financial institution, exceeding certain thresholds, may be required to report such assets on IRS Form 8938 with their tax return for that taxable year. This reporting requirement does not apply to U.S. Individual Holders who report their ownership of our shares under the PFIC annual reporting rules described above. Penalties apply for failure to properly complete and file Form 8938. Investors are encouraged to consult with their own tax advisors regarding the possible application of this disclosure requirement to their investment in our shares.

#### U.S. Federal Income Taxation of Non-U.S. Holders

A beneficial owner of our shares (other than a partnership or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder is referred to herein as a non-U.S. Holder.

#### Distributions

In general, a non-U.S. Holder is not subject to U.S. federal income tax on distributions received from us with respect to our shares unless the distributions are effectively connected with the non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment that the non-U.S. Holder maintains in the United States). If a non-U.S. Holder is engaged in a U.S. trade or business and the distribution is deemed to be effectively connected to that trade or business, the non-U.S. Holder generally will be subject to U.S. federal income tax on that distribution in the same manner as if it were a U.S. Holder.

#### Sale, Exchange or Other Disposition of Our Shares

In general, a non-U.S. Holder is not subject to U.S. federal income tax on any gain resulting from the disposition of our shares unless (a) such gain is effectively connected with the non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment that the non-U.S. Holder maintains in the United States) or (b) the non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year in which those shares are disposed of (and certain other requirements are met). If a non-U.S. Holder is engaged in a U.S. trade or business and the disposition of shares is deemed to be effectively connected to that trade or business, the non-U.S. Holder generally will be subject to U.S. federal income tax on the resulting gain in the same manner as if it were a U.S. Holder.

## Information Reporting and Backup Withholding

In general, payments of distributions with respect to, or the proceeds of a disposition of our shares to a Non-Corporate U.S. Holder will be subject to information reporting requirements. These payments to a Non-Corporate U.S. Holder also may be subject to backup withholding if the Non-Corporate U.S. Holder:

- fails to timely provide an accurate taxpayer identification number;
- is notified by the IRS that it has failed to report all interest or distributions required to be shown on its U.S. federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding on payments made to them within the United States by certifying their status on an IRS Form W-8BEN, W-8BEN-E, W-8ECI or W-8IMY, as applicable.

Backup withholding is not an additional tax. Rather, a holder generally may obtain a credit for any amount withheld against its liability for U.S. federal income tax (and obtain a refund of any amounts withheld in excess of such liability) by accurately completing and timely filing a U.S. federal income tax return with the IRS.

## Marshall Islands Tax Considerations

Because we do not, and we do not expect that we will, conduct business or operations in the Republic of the Marshall Islands, under current Marshall Islands law our shareholders will not be subject to Marshall Islands taxation or withholding on distributions, including upon a return of capital, we make to our shareholders. In addition, our shareholders will not be subject to Marshall Islands stamp, capital gains or other taxes on the purchase, ownership or disposition of shares, and our shareholders will not be required by the Republic of the Marshall Islands to file a tax return relating to the shares.

Each prospective shareholder is urged to consult its tax counsel or other advisor with regard to the legal and tax consequences, under the laws of pertinent jurisdictions, including the Marshall Islands, of its investment in us. Further, it is the responsibility of each shareholder to file all state, local and non-U.S., as well as U.S. federal tax returns that may be required of it.

## Canadian Federal Income Tax Considerations

The following discussion is a summary of the material Canadian federal income tax consequences under the Canada Tax Act, as of the date of this Annual Report, that we believe are relevant to holders of shares who are, at all relevant times, for the purposes of the Canada Tax Act and the Canada-United States Tax Convention 1980 (the Canada-U.S. Treaty), resident only in the United States who are “qualifying persons” for purposes of the Canada-U.S. Treaty and who deal at arm’s length with us (U.S. Resident Holders). This disclosure may not apply to United States limited liability companies; accordingly, such holders should consult their own tax advisors.

Subject to the assumptions below, under the Canada Tax Act no taxes on income (including taxable capital gains and withholding tax on dividends) are payable by U.S. Resident Holders in respect of the acquisition, holding, disposition or redemption of our shares. This opinion is based upon the assumptions that we are not a resident of Canada and such U.S. Resident Holders do not have, and have not had, for the purposes of the Canada-U.S. Treaty, a permanent establishment in Canada to which such shares pertain and, in addition, do not use or hold and are not deemed or considered to use or hold such shares in the course of carrying on a business in Canada. We will not be resident in Canada in a particular taxation year if our principal business in that year is “international shipping” (as defined below), all or substantially all of our gross revenue for that year consists of gross revenue from “international shipping,” and we were not granted articles of continuance in Canada before the end of that year. International shipping is defined as the operation of ships that are owned or leased by an operator and that are used primarily in transporting passengers or goods in international traffic, including the chartering of ships, provided that, one or more persons related to the operator (if the operator and each such person is a corporation), or persons or partnerships affiliated with the operator (in any other case), has complete possession, control and command of the ship. The leasing of a ship by a lessor to a lessee that has complete possession, control and command of the ship is excluded from the international shipping definition, unless the lessor or a corporation, trust or partnership affiliated with the lessor has an eligible interest in the lessee. Please read “Item 4. Information on the Company—B. Business Overview—Taxation of the Company—Canadian Taxation” for a further discussion, separate from this opinion, of the tax consequences of us becoming a resident of Canada.

Each prospective shareholder is urged to consult its tax counsel or other advisor with regard to the legal and tax consequences, under the laws of pertinent jurisdictions, including Canada, of its investment in us. Further, it is the responsibility of each shareholder to file all state, local and non-U.S., as well as U.S. federal tax returns that may be required of it.

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts

Not applicable.

H. Documents on Display

Documents concerning us that are referred to herein may be inspected at the offices of Seaspan Ship Management Ltd. at 2600-200 Granville Street, Vancouver, British Columbia. Those documents electronically filed with the SEC may be obtained from the SEC’s website at [www.sec.gov](http://www.sec.gov) or from the SEC public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Further information on the operation of the public reference rooms may be obtained by calling the SEC at 1-800-SEC-0330. Copies of documents can be requested from the SEC public reference rooms for a copying fee.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

As of December 31, 2015, our variable-rate credit facilities totaled \$2.9 billion, of which we had entered into interest rate swap and swaption agreements to fix the rates on a notional principal amount of \$1.8 billion. These interest rate swaps and swaptions have a fair value of \$33.6 million in our favor and \$336.9 million in the counterparties' favor.

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The tables below provide information about our financial instruments at December 31, 2015 that are sensitive to changes in interest rates. Please see notes 8 and 9 to our consolidated financial statements included in this Annual Report, which provides additional information with respect to our existing credit and lease facilities.

In thousands of USD	Principal Payment Dates					
	2016	2017	2018	2019	2020	Thereafter
Credit facilities <sup>(1)</sup>	\$274,574	\$270,092	\$274,578	\$558,441	\$342,177	\$1,218,501
Lease facilities <sup>(2)</sup>	13,645	16,408	17,484	18,587	19,753	113,923
Operating leases <sup>(3)</sup>	75,011	76,003	77,008	78,055	79,130	436,476

- (1) Represents principal payments on amounts drawn on our credit facilities that bear interest at variable rates. We have entered into interest rate swap agreements under certain of our credit facilities to swap the variable interest rates for fixed interest rates. For the purposes of this table, principal payments are determined based on contractual repayments in commitment reduction schedules for each related facility.
- (2) Represents payments, excluding amounts representing interest payments, on amounts drawn on our lease facilities that bear interest at variable rates.
- (3) Represents payments under our operating leases for certain vessels that we have entered into sale-leaseback transactions where the lease term commenced upon delivery of the vessels. These operating leases include interest payments based on variable rates.

As of December 31, 2015, we had the following interest rate swaps outstanding:

Fixed Per Annum

Rate Swapped for	Notional Amount as of December 31, 2015	Maximum Notional Amount <sup>(1)</sup>	Effective Date	Ending Date
LIBOR	(in thousands of USD)	(in thousands of USD)		
5.6400%	\$ 694,987	\$ 694,987	August 31, 2007	August 31, 2017 <sup>(2)</sup>
5.4200%	438,462	438,462	September 6, 2007	May 31, 2024
5.9450%	243,542	243,542	January 30, 2014	May 31, 2019
5.6000%	162,400	162,400	June 23, 2010	December 23, 2021 <sup>(2)</sup>
5.5950%	95,500	95,500	August 28, 2009	August 28, 2020 <sup>(3)</sup>
5.2600%	95,500	95,500	July 3, 2006	February 26, 2021 <sup>(2)</sup>
5.4975%	47,100	47,100	July 31, 2012	July 31, 2019 <sup>(3)</sup>
5.1700%	24,000	24,000	April 30, 2007	May 29, 2020
5.8700%		620,390	August 31, 2017	November 28, 2025

- (1) Over the term of the interest rate swaps, the notional amounts increase and decrease. These amounts represent the peak notional amount over the remaining term of the swap.
- (2) Prospectively de-designated as an accounting hedge in 2008.
- (3) Swap counterparty has an early termination right in 2016 which may require us to settle the swap at the early termination date.

In addition, we have entered into swaption agreements with a bank, or Swaption Counterparty B, whereby Swaption Counterparty B has the option to require us to enter into interest rate swaps to pay LIBOR and receive a fixed rate of

1.183% and to pay 0.5% and receive LIBOR, respectively. The notional amounts of the underlying swaps are each \$200.0 million with an effective date of March 2, 2017 and an expiration of March 2, 2027.

Counterparties to these financial instruments may expose us to credit-related losses in the event of non-performance. At December 31, 2015, these financial instruments are primarily 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 December 31, 2015. As part of our consideration of non-performance risk, we perform evaluations of our counterparties for credit risk through ongoing monitoring of their financial health and risk profiles to identify funding risk or changes in their credit ratings.

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 will not issue interest rate swaps for trading purposes.

Item 12. Description of Securities Other than Equity Securities  
Not applicable.



## PART II

### Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

### Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

We adopted a shareholder rights agreement in August 2005. The agreement expired in November 2015.

### Item 15. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

As required by Rules 13a-15 and 15d-15 under the Exchange Act, management has evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report. Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding our required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating and implementing possible controls and procedures.

Based on the foregoing, our chief executive officer and chief financial officer have concluded that, as of December 31, 2015, the end of the period covered by this Annual Report, our disclosure controls and procedures were effective.

#### Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting.

Internal control over financial reporting refers to a process designed by, or under the supervision of, our chief executive officer and chief financial officer and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and members of our board of directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over

financial reporting. However, these inherent limitations are known features of the financial reporting process, and it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

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Management evaluated the effectiveness of our internal control over financial reporting as of December 31, 2015 using the framework set forth in the 2013 report of the Treadway Commission's Committee of Sponsoring Organizations.

Based on the foregoing, management has concluded that our internal control over financial reporting was effective as of December 31, 2015.

The effectiveness of our internal controls over financial reporting as of December 31, 2015 has been audited by KPMG LLP, the independent registered public accounting firm that audited our December 31, 2015 consolidated annual financial statements, as stated in their report which is included herein.

#### Changes in Internal Control over Financial Reporting

Management has evaluated, with the participation of our chief executive officer and chief financial officer, whether any changes in our internal control over financial reporting that occurred during our last fiscal year have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

During 2015, there were no changes with regard to internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

#### Item 16A. Audit Committee Financial Expert

The board of directors has determined that Nicholas Pitts-Tucker qualifies as an audit committee financial expert and is independent under applicable NYSE and SEC standards.

## Item 16B. Code of Ethics

We have adopted Standards for Business Conduct that includes a Code of Ethics for all employees and directors. This document is available under “Corporate Governance” in the Investor Relations section of our website ([www.seaspancorp.com](http://www.seaspancorp.com)). We also intend to disclose any waivers to or amendments of our Standards of Business Conduct or Code of Ethics for the benefit of our directors and executive officers on our website. We will provide a hard copy of our Code of Ethics free of charge upon written request of a shareholder. Please contact our chief financial officer Mark Chu for any such request at Unit 2, 2nd Floor, Bupa Centre, 141 Connaught Road West, Hong Kong China, Fax: +852-2540-1689.

## Item 16C. Principal Accountant Fees and Services

Our principal accountant for 2015 was KPMG LLP, Chartered Accountants.

In 2015 and 2014, the fees billed to us by the accountants for services rendered were as follows:

	2015	2014
Audit Fees	\$618,400	\$677,400
Audit-Related Fees		
Tax Fees	104,900	115,900
All Other Fees		25,900
	\$723,300	\$819,200

## Audit Fees

Audit fees for 2015 include fees related to our annual audit, quarterly reviews and accounting consultations.

Audit fees for 2014 include fees related to our annual audit, quarterly reviews, accounting consultations and fees related to the public offering of our common and preferred shares and our Notes.

## Tax Fees

Tax fees for 2015 and 2014 are primarily for tax consultation services related to general tax consultation services and preparation of corporate income tax returns.

## All Other Fees

All other fees for 2014 relate to consultation services related to assistance with an information technology assessment project. No other fees for 2015 were paid to our principal accountants.

The audit committee has the authority to pre-approve permissible audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees. Engagements for proposed services either may be separately pre-approved by the audit committee or entered into pursuant to detailed pre-approval policies and procedures established by the audit committee, as long as the audit committee is informed on a timely basis of any engagement entered into on that basis. The audit committee separately pre-approved all engagements and fees paid to our principal accountant in 2015 and 2014.

## Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

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## Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

## Class A Common Shares

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares		Maximum Dollar Value of Shares That May Yet Be Purchased Under the Program
			Purchased as Part of Publicly Announced	Program	
October 2015	16,724	\$ 14.9983	16,724		\$ 47,545,515
November 2015	79,088	14.9918	95,812		46,358,270
December 2015	848,712	14.6889	944,524		33,911,105

## Series C Preferred Shares

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares		Maximum Dollar Value of Shares That May Yet Be Purchased Under the Program
			Purchased as Part of Publicly Announced	Program	
September 23 to 25, 2015	40,000	\$ 25.4230	—		\$ —
October 2015	65,068	25.6878	65,068		73,329,163
November 2015	87,189	25.3017	152,257		71,119,913
December 2015	151,500	24.9354	303,757		67,340,465

## Series D Preferred Shares

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares		Maximum Dollar Value of Shares That May Yet Be Purchased Under the Program
			Purchased as Part of Publicly Announced	Program	
October 2015	47,540	\$ 23.7149	47,540		\$ 23,871,510
November 2015	24,131	23.9409	71,671		23,293,114
December 2015	52,300	23.4239	123,971		22,070,387

Series E Preferred Shares

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares	Maximum Dollar Value of Shares
			Purchased as Part of Publicly Announced	That May Yet Be Purchased Under the Program
October 2015	3,500	\$ 23.9982	3,500	\$ 24,915,877
December 2015	25,900	23.5426	29,400	24,305,241

<sup>(1)</sup>The total number of shares purchased is based on the settlement date.

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Item 16F. Change in Registrants' Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

The following are the significant ways in which our corporate governance practices differ from those followed by domestic companies:

¶ In lieu of obtaining shareholder approval prior to the adoption of equity compensation plans, the board of directors approves such adoption.

¶ Unlike domestic companies listed on the NYSE, foreign private issuers are not required to have a majority of independent directors and the standard for independence applicable to foreign private issuers may differ from the standard that is applicable to domestic issuers. However, our board of directors has determined that five of our eight directors (being John C. Hsu, David Lyall, Harald Ludwig, Nicholas Pitts-Tucker and Peter S. Shaerf) satisfy the NYSE's independence standards for domestic companies.

¶ U.S. domestic companies are required to have a compensation committee and a nominating and corporate governance committee, each comprised entirely of independent directors. Although as a foreign private issuer these rules do not apply to us, we have a compensation committee that consists of three directors and a governance and conflicts committee that consists of four directors, all of whom satisfy applicable NYSE standards for independence for domestic companies.

Item 16H. Mine Safety Disclosure

Not applicable.



PART III

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

The following financial statements, together with the report of KPMG LLP, Chartered Accountants thereon, are filed as part of this Annual Report:

SEASPAN CORPORATION

<u>Report of Independent Registered Public Accounting Firm</u>	F- 1
<u>Report of Independent Registered Public Accounting Firm</u>	F- 2
<u>Consolidated Balance Sheets as of December 31, 2015 and 2014</u>	F- 3
<u>Consolidated Statements of Operations for the Years Ended December 31, 2015, 2014 and 2013</u>	F- 4
<u>Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2015, 2014 and 2013</u>	F- 5
<u>Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2015, 2014 and 2013</u>	F- 6
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2015, 2014 and 2013</u>	F- 9
<u>Notes to the Consolidated Financial Statements</u>	F-10

All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required, are inapplicable or have been disclosed in the notes to the consolidated financial statements and therefore have been omitted.

Item 19. Exhibits

The following exhibits are filed as part of this Annual Report:

Exhibit

Number	Description
1.1	Amended and Restated Articles of Incorporation of Seaspan Corporation (incorporated herein by reference to Exhibit 3.1 to the Company's Amendment No. 2 to Form F-1 (File No. 333-126762), filed with the SEC on August 4, 2005).
1.2	Articles of Amendment to the Amended and Restated Articles of Incorporation of Seaspan Corporation (incorporated herein by reference to Exhibit 3.2 to the Company's Form 8-A12B (File No. 1-32591), filed with the SEC on February 13, 2014).

1.3 Second  
Articles of  
Amendment  
to the  
Amended and  
Restated  
Articles of  
Incorporation  
of Seaspan  
Corporation  
(incorporated  
herein by  
reference to  
Exhibit 3.3 to  
the Company's  
Form 6-K  
(File No.  
001-32591),  
filed with the  
SEC on April  
30, 2015).

1.4 Amended and  
Restated  
Bylaws of  
Seaspan  
Corporation  
(incorporated  
herein by  
reference to  
Exhibit 1.2 to  
the Company's  
Form 20-F  
(File No.  
333-32591),  
filed with the  
SEC on  
March 23,  
2012).

1.5 First  
Amendment  
to the  
Amended and  
Restated  
Bylaws of  
Seaspan  
Corporation  
(incorporated  
herein by

reference to  
Exhibit 3.5 to  
the Company's  
Form 6-K  
(File No.  
001-32591),  
filed with the  
SEC on April  
30, 2015).

1.6 Statement of  
Designation of  
the 12%  
Cumulative  
Preferred  
Shares—Series  
A, dated  
January 22,  
2009  
(incorporated  
herein by  
reference to  
Exhibit 3.1 to  
the Company's  
Form 6-K  
(File No.  
1-32591),  
filed with the  
SEC on  
February 2,  
2009).

1.7 Statement of  
Designation of  
the  
Cumulative  
Preferred  
Shares—Series  
B, dated May  
27, 2010  
(incorporated  
herein by  
reference to  
Exhibit 3.1 to  
the Company's  
Form 6-K  
(File No.  
1-32591),  
filed with the  
SEC on June  
4, 2010).

1.8 Statement of Designation of the 9.5% Cumulative Redeemable Perpetual Preferred Shares—Series C, dated January 27, 2011 (incorporated herein by reference to Exhibit 3.3 to the Company's Form 8-A12B (File No. 1-32591), filed with the SEC on January 28, 2011).

1.9 Statement of Designation of the 7.95% Cumulative Redeemable Perpetual Preferred Shares—Series D, dated December 12, 2012 (incorporated herein by reference to Exhibit 3.3 to the Company's Form 8-A12B (File No. 1-32591), filed with the SEC on December 13, 2012).

1.10 Statement of Designation of

the 8.25%  
Cumulative  
Redeemable  
Perpetual  
Preferred  
Shares—Series  
E, dated  
February 6,  
2014  
(incorporated  
herein by  
reference to  
Exhibit 3.4 to  
the Company's  
Form 8-A12B  
(File No.  
1-32591),  
filed with the  
SEC on  
February 13,  
2014).

1.11 Statement of  
Designation of  
the Series R  
Participating  
Preferred  
Stock, dated  
April 19, 2011  
(incorporated  
herein by  
reference to  
Exhibit 4.1 to  
the Company's  
Form 8-A12B  
(File No.  
1-32591),  
filed with the  
SEC on April  
19, 2011).

2.1 Specimen of  
Share  
Certificate of  
Seaspan  
Corporation  
(incorporated  
herein by  
reference to  
Exhibit 4.1 to  
the Company's

Registration  
Statement on  
Form F-1  
(File No.  
333-126762),  
filed with the  
SEC on July  
21, 2005).

2.2 Specimen of  
Share  
Certificate of  
Seaspan  
Corporation  
12%  
Cumulative  
Preferred  
Shares—Series  
A  
(incorporated  
herein by  
reference to  
Exhibit 4.1 to  
the Company's  
Form 6-K  
(File No.  
1-32591),  
filed with the  
SEC on  
February 2,  
2009).

Exhibit

Number	Description
2.3	Specimen of Share Certificate of Seaspan Corporation Cumulative Preferred Shares—Series B (incorporated herein by reference to Exhibit 4.1 to the Company's Form 6-K (File No. 1-32591), filed with the SEC on June 4, 2010).
2.4	Specimen of Share Certificate of Seaspan Corporation 9.5% Cumulative Redeemable Perpetual Preferred Shares—Series C (incorporated herein by reference to Exhibit 4.1 to the Company's Form 8-A12B (File No. 1-32591), filed with the SEC on January 28, 2011).
2.5	Specimen of Share Certificate of Seaspan



- Corporation  
7.95%  
Cumulative  
Redeemable  
Perpetual  
Preferred  
Shares—Series D  
(incorporated  
herein by  
reference to  
Exhibit 4.1 to  
the Company’s  
Form 8-A12B  
(File No.  
1-32591), filed  
with the SEC on  
December 13,  
2012).
- 2.6 Specimen of  
Share  
Certificate of  
Seaspan  
Corporation  
8.25%  
Cumulative  
Redeemable  
Perpetual  
Preferred  
Shares—Series E  
(incorporated  
herein by  
reference to  
Exhibit 4.1 to  
the Company’s  
Form 8-A12B  
(File No.  
1-32591), filed  
with the SEC on  
February 13,  
2014).
- 4.1 Registration  
Rights  
Agreement by  
and among  
Seaspan  
Corporation and  
the investors  
named therein  
dated August 8,

2005  
(incorporated  
herein by  
reference to  
Exhibit 10.1 to  
the Company's  
Amendment No.  
2 to Form F-1  
(File No.  
333-126762),  
filed with the  
SEC on August  
4, 2005).

4.2 Registration  
Rights  
Agreement by  
and among  
Seaspan  
Corporation and  
the investors  
named therein  
dated January  
30, 2009  
(incorporated  
herein by  
reference to  
Exhibit 10.3 to  
the Company's  
Form 6-K (File  
No. 1-32591),  
filed with the  
SEC on  
February 2,  
2009).

4.3\* Seaspan  
Corporation  
Stock Incentive  
Plan dated  
December 23,  
2015.

4.6 Amended and  
Restated  
Management  
Agreement  
among Seaspan  
Corporation,  
Seaspan  
Management

Services  
Limited,  
Seaspan  
Advisory  
Services  
Limited,  
Seaspan Ship  
Management  
Ltd. and  
Seaspan Crew  
Management  
Ltd. dated as of  
May 4, 2007  
(incorporated  
herein by  
reference to  
Exhibit 99.1 to  
the Company's  
Form 6-K/A  
(File No.  
1-32591), filed  
with the SEC on  
October 10,  
2007).

4.7      Amendment to  
Amended and  
Restated  
Management  
Agreement  
among Seaspan  
Corporation,  
Seaspan  
Management  
Services  
Limited,  
Seaspan  
Advisory  
Services  
Limited,  
Seaspan Ship  
Management  
Ltd. and  
Seaspan Crew  
Management  
Ltd. dated as of  
August 5, 2008  
(incorporated  
herein by  
reference to  
Exhibit 4.9 to

Form 20-F (File No. 1-32591), filed with the SEC on March 30, 2011).

4.8 Form of Indemnification Agreement between Seaspan Corporation and each of Kyle Washington, Gerry Wang, Peter Shaerf and John Hsu (incorporated herein by reference to Exhibit 10.10 to the Company's Registration Statement on Form F-1 (File No. 333-126762), filed with the SEC on July 21, 2005).

4.9 Credit Facility Agreement providing for a Senior Secured Reducing Revolving Credit Facility of up to \$365,000,000, dated May 19, 2006, among Seaspan Corporation, DnB Nor Bank, ASA, as Sole Bookrunner, Administrative Agent and Security Agent, Credit Suisse

and Fortis  
Capital Corp., as  
Mandated Lead  
Arrangers and  
Landesbank  
Hessen-  
Thüringen as  
documentation  
agent  
(incorporated  
herein by  
reference to the  
Company's Form  
6-K (File No.  
1-32591), filed  
with the SEC on  
June 12, 2006).

4.10 Amendment No.  
1 to Credit  
Facility  
Agreement  
providing for a  
Senior Secured  
Reducing  
Revolving  
Credit Facility  
of up to  
\$365,000,000,  
dated June 29,  
2007, among  
Seaspan  
Corporation,  
DnB Nor Bank,  
ASA, as Sole  
Bookrunner,  
Administrative  
Agent and  
Security Agent,  
Credit Suisse  
and Fortis  
Capital Corp., as  
Mandated Lead  
Arrangers and  
Landesbank  
Hessen-  
Thüringen as  
documentation  
agent  
(incorporated  
herein by

reference to  
Exhibit 99.4 to  
the Company's  
Form 6-K/A  
(File No.  
1-32591), filed  
with the SEC on  
October 10,  
2007).

Exhibit

Number	Description
4.11	Amendment No. 2 to Credit Facility Agreement providing for a Senior Secured Reducing Revolving Credit Facility of up to \$365,000,000 dated August 7, 2007 among Seaspan Corporation, DnB Nor Bank, ASA, as Sole Bookrunner, Administrative Agent and Security Agent, Credit Suisse and Fortis Capital Corp., as Mandated Lead Arrangers and Landesbank Hessen-Thüringen as documentation agent (incorporated herein by reference to Exhibit 4.17 to the Company's Form 20-F (File No. 1-32591) filed with the SEC on March 24, 2008).
4.12	U.S. \$920,000,000

Reducing,  
Revolving  
Credit Facility,  
dated August 8,  
2007, among  
DnB Nor Bank  
ASA, Credit  
Suisse, The  
Export-Import  
Bank of China,  
Industrial and  
Commercial  
Bank of China  
Limited and  
Sumitomo  
Mitsui Banking  
Corporation,  
Brussels  
Branch  
(incorporated  
herein by  
reference to  
Exhibit 99.1 to  
the Company's  
Form 6-K (File  
No. 1-32591),  
filed with the  
SEC on August  
9, 2007).

4.13 Seaspan  
Corporation  
Change of  
Control  
Severance Plan  
for Employees  
of Seaspan  
Ship  
Management  
Ltd., effective  
as of January 1,  
2009  
(incorporated  
herein by  
reference to  
Exhibit 4.34 to  
the Company's  
Form 20-F  
(File No.  
1-32591), filed  
with the SEC



on March 31,  
2009).

4.14 Amended and  
Restated  
Limited  
Liability  
Company  
Agreement of  
Greater China  
Intermodal  
Investments  
LLC, dated  
March 14,  
2011  
(incorporated  
herein by  
reference to  
Exhibit 4.1 to  
Form 6-K (File  
No. 1-32591),  
filed with the  
SEC on  
March 14,  
2011).

4.15 Right of First  
Refusal  
Agreement  
among Seaspan  
Corporation,  
Greater China  
Intermodal  
Investments  
LLC and Blue  
Water  
Commerce,  
LLC, dated  
March 14,  
2011  
(incorporated  
herein by  
reference to  
Exhibit 4.2 to  
Form 6-K (File  
No. 1-32591),  
filed with the  
SEC on  
March 14,  
2011).

- 4.16      Amendment to  
Right of First  
Refusal  
Agreement  
dated August  
11, 2014  
among Seaspan  
Corporation,  
Greater China  
Intermodal  
Investments  
LLC and Blue  
Water  
Commerce,  
LLC  
(incorporated  
herein by  
reference to  
Exhibit 4.30 to  
the Company's  
Form 20-F  
(File No.  
1-32591) filed  
with the SEC  
on March 10,  
2015).
- 4.17      Right of First  
Offer  
Agreement  
between  
Seaspan  
Corporation  
and Blue Water  
Commerce,  
LLC, dated  
March 14,  
2011,  
previously filed  
as Exhibit 4.3  
to Form 6-K  
(incorporated  
herein by  
reference to  
Exhibit 4.3 to  
Form 6-K (File  
No. 1-32591),  
filed with the  
SEC on  
March 14,  
2011).

4.18 Financial Services Agreement between Seaspan Corporation and Tiger Ventures Limited, dated March 14, 2011 (incorporated herein by reference to Exhibit 4.7 to Form 6-K (File No. 1-32591), filed with the SEC on March 14, 2011).

4.19 Amendment to Financial Services Agreement dated August 19, 2014 between Seaspan Corporation and Tiger Ventures Limited (incorporated herein by reference to Exhibit 4.33 to the Company's Form 20-F (File No. 1-32591), filed with the SEC on March 10, 2015).

4.20 Graham Porter Letter Agreement, dated March

14, 2011  
(incorporated  
herein by  
reference to  
Exhibit 4.9 to  
Form 6-K (File  
No. 1-32591),  
filed with the  
SEC on  
March 14,  
2011).

4.21 Form of  
Registration  
Rights  
Agreement  
(incorporated  
herein by  
reference to  
Exhibit 4.10 to  
Form 6-K (File  
No. 1-32591),  
filed with the  
SEC on  
March 14,  
2011).

4.26 Share Purchase  
Agreement,  
dated as of  
January 27,  
2012, among  
Seaspan  
Corporation,  
Seaspan  
Management  
Services  
Limited, The  
Kevin Lee  
Washington  
Trust II, the  
Kyle Roy  
Washington  
2005  
Irrevocable  
Trust under  
agreement  
dated July 15,  
2005 and  
Thetis  
Holdings Ltd.

(incorporated herein by reference to Exhibit 4.1 to Form 6-K (File No. 1-32591), filed with the SEC on January 30, 2012).

4.27 Form of Lockup Agreement (incorporated herein by reference to Exhibit 4.3 to Form 6-K (File No. 1-32591), filed with the SEC on January 30, 2012).

Exhibit

Number	Description
4.28	Registration Rights Agreement, dated January 27, 2012, by and among Seaspan Corporation and certain shareholders named therein (incorporated herein by reference to Exhibit 4.5 to Form 6-K (File No. 1-32591), filed with the SEC on January 30, 2012).
4.29	Amended and Restated Executive Employment Agreement between Seaspan Corporation and Gerry Wang, dated December 7, 2012 (incorporated herein by reference to Exhibit 4.42 to the Company's Form 20-F (File No. 1-32591) filed with the SEC on March 18, 2013).
4.30	Amendment to Amended and Restated Executive Employment Agreement dated August 19, 2014 between Seaspan Corporation and Gerry Wang (incorporated herein by reference to Exhibit 4.31 to the Company's Form

20-F (File No. 1-32591) filed with the SEC on March 10, 2015).

4.31 Amended and Restated Transaction Services Agreement between Seaspan Corporation and Gerry Wang, dated December 7, 2012 (incorporated herein by reference to Exhibit 4.43 to the Company's Form 20-F (File No. 1-32591) filed with the SEC on March 18, 2013).

4.32 Amendment to Amended and Restated Transaction Services Agreement dated August 19, 2014 between Seaspan Corporation and Gerry Wang (incorporated herein by reference to Exhibit 4.32 to the Company's Form 20-F (File No. 1-32591) filed with the SEC on March 10, 2015).

4.33 Lock Up Agreement between Seaspan Corporation and Gerry Wang, dated December 7, 2012 (incorporated herein by reference to Exhibit 4.44 to the Company's Form 20-F (File No. 1-32591) filed with the SEC on March 18, 2013).

4.34 Amendment to Lock Up Agreement, dated August 19, 2014 among Seaspan Corporation and Gerry Wang (incorporated herein by reference to Exhibit 4.34 to the Company's Form 20-F (File No. 1-32591) filed with the SEC on March 10, 2015).

4.36 \$1,300,000,000 Credit Facility Agreement for Seaspan Corporation as Borrower and Arranged by Citigroup Global Markets Limited and BNP Paribas, with Citigroup Global Markets Limited, Credit Suisse AG, DNB Banks ASA, New York Branch (formerly known as DnB Nor ASA), BNP Paribas, Landesbank Hessen-Thüringen Girozentrale, New York branch as Mandated Lead Arrangers with BNP Paribas as Facility Agent, dated as of August 8, 2005, as amended from time to time and as amended and restated on May 11, 2007 and December 23, 2013 (incorporated herein by reference to



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Exhibit 4.47 to the Company's Form 20-F (File No. 1-32591) filed with the SEC on March 11, 2014).

- 8.1\* Subsidiaries of Seaspan Corporation.
- 12.1\* Rule 13a-14(a)/15d-14(a) Certification of Seaspan's Chief Executive Officer.
- 12.2\* Rule 13a-14(a)/15d-14(a) Certification of Seaspan's Chief Financial Officer.
- 13.1\* Seaspan Corporation Certification of Gerry Wang, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 13.2\* Seaspan Corporation Certification of Mark Chu, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 15.1\* Consent of KPMG LLP.

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The following materials for the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2014 formatted in XBRL: (1) the Consolidated Balance Sheets; (2) the Consolidated Statements of Operations; (3) the Consolidated Statements of Comprehensive Income; (4) the Consolidated Statements of Shareholders' Equity; (5) the Consolidated Statements of Cash Flows; and (6) Notes to Consolidated Financial Statements.

\*Filed herewith

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Seaspans Corporation

We have audited Seaspans Corporation's (the "Company") internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the section entitled "Management's Annual Report on Internal Control over Financial Reporting" included in Management's Discussion and Analysis. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2015, and our report dated March 10, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Chartered Professional Accountants

March 10, 2016

Vancouver, Canada

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Seaspan Corporation

We have audited the accompanying consolidated balance sheets of Seaspan Corporation (the “Company”) as of December 31, 2015 and 2014 and the related consolidated statements of operations, comprehensive income, shareholders’ equity and cash flows for each of the years in the three-year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2015 in conformity with US generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 10, 2016 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ KPMG LLP

Chartered Professional Accountants

March 10, 2016

Vancouver, Canada

## SEASPAN CORPORATION

## Consolidated Balance Sheets

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

December 31, 2015 and 2014

	2015	2014
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$215,520	\$201,755
Short-term investments	3,415	1,212
Accounts receivable (note 3)	24,065	23,742
Loans to affiliate (note 3)	219,649	237,908
Prepaid expenses	39,731	31,139
Gross investment in lease	37,783	21,170
	540,163	516,926
Vessels (note 4)	5,278,348	5,095,723
Deferred charges (note 5)	92,640	64,655
Gross investment in lease	—	37,783
Goodwill	75,321	75,321
Other assets (note 6)	89,056	67,308
Fair value of financial instruments (note 16(d))	33,632	37,677
	\$6,109,160	\$5,895,393
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities (note 13(a))	\$76,386	\$65,208
Current portion of deferred revenue (note 7)	22,199	27,671
Current portion of long-term debt (note 8)	287,346	298,010
Current portion of other long-term liabilities (note 9)	38,298	18,543
Fair value of financial instruments (note 16(d))	1,260	7,505
	425,489	416,937
Deferred revenue (note 7)	2,730	7,343
Long-term debt (note 8)	3,099,849	3,084,409
Other long-term liabilities (note 9)	468,023	253,542
Fair value of financial instruments (note 16(d))	336,886	387,938
<b>Shareholders' equity:</b>		
<b>Share capital (note 10):</b>		
Preferred shares; \$0.01 par value; 150,000,000 shares authorized;		
23,673,403 shares issued and outstanding (2014 – 24,170,531)		
Class A common shares; \$0.01 par value; 200,000,000 shares authorized;		
98,622,160 shares issued and outstanding (2014 – 96,662,928)	1,223	1,209

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Treasury shares	(356 )	(379 )
Additional paid in capital	2,266,661	2,238,872
Deficit	(460,425 )	(459,161 )
Accumulated other comprehensive loss	(30,920 )	(35,317 )
	1,776,183	1,745,224
	\$6,109,160	\$5,895,393

Commitments and contingent obligations (note 14)

Subsequent events (note 17)

See accompanying notes to consolidated financial statements.

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## SEASPAN CORPORATION

## Consolidated Statements of Operations

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

Years ended December 31, 2015, 2014 and 2013

	2015	2014	2013
Revenue	\$819,024	\$717,170	\$677,090
Operating expenses:			
Ship operating	193,836	166,097	150,105
Cost of services, supervision fees	1,950	—	—
Depreciation and amortization	204,862	181,527	172,459
General and administrative	27,338	30,462	34,783
Operating leases (note 9(c))	40,270	9,544	4,388
	468,256	387,630	361,735
Operating earnings	350,768	329,540	315,355
Other expenses (income):			
Interest expense	97,008	88,159	60,496
Interest income	(11,026 )	(10,653 )	(2,045 )
Undrawn credit facility fees	3,100	3,109	2,725
Amortization of deferred charges (note 5)	11,685	10,342	9,477
Refinancing expenses (note 5)	5,770	70	4,038
Change in fair value of financial instruments (note 16(d))	54,576	105,694	(60,504 )
Equity (income) loss on investment (note 6(a))	(5,107 )	(256 )	670
Other (income) expenses	(4,629 )	1,828	1,470
	151,377	198,293	16,327
Net earnings	\$199,391	\$131,247	\$299,028
Earnings per share (note 11):			
Class A common share, basic	\$1.46	\$0.80	\$3.36
Class A common share, diluted	1.46	0.79	2.93

See accompanying notes to consolidated financial statements.



SEASPAN CORPORATION

Consolidated Statements of Comprehensive Income

(Expressed in thousands of United States dollars)

Years ended December 31, 2015, 2014 and 2013

	2015	2014	2013
Net earnings	\$199,391	\$131,247	\$299,028
Other comprehensive income:			
Amounts reclassified to net earnings during the period			
relating to cash flow hedging instruments (note 16 (d))	4,397	5,311	6,212
Comprehensive income	\$203,788	\$136,558	\$305,240

See accompanying notes to consolidated financial statements.

## SEASPAN CORPORATION

## Consolidated Statements of Shareholders' Equity

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

Years ended December 31, 2015, 2014 and 2013

	Number of common shares Class A	Number of preferred shares			Common shares		Preferred shares	Treasury shares	Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total shareholders' equity
	Series A	Series C	Series D	Series E	Series F							
Balance, December 31,	63,042,217	200,000	14,000,000	3,105,000	—	\$631	\$173	\$(312)	\$1,859,068	\$(594,153)	\$(46,840)	\$1,218,836
Earnings	—	—	—	—	—	—	—	—	—	299,028	—	299,028
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	6,212	6,212
Series D preferred shares held	—	—	—	—	—	—	—	—	—	—	—	—
Series 10(b) A non shares held	—	—	—	2,000,000	—	—	20	—	49,980	—	—	50,000
Series A non shares held	3,500,000	—	—	—	—	35	—	—	76,965	—	—	77,000
Series D and Series E shares in connection with the issuance of Series D and Series E preferred shares	—	—	—	—	—	—	—	—	(5,959)	—	—	(5,959)
Series A non shares held	—	—	—	—	—	—	—	—	—	(76,340)	—	(76,340)
Series D and Series E preferred shares	—	—	—	—	—	—	—	—	—	(38,493)	—	(38,493)
Series C non shares held	—	—	—	—	—	—	—	—	1,174	(1,174)	—	—
Series C non shares held	1,561,838	—	—	—	—	16	—	—	31,945	—	—	31,961

Shares issued													
through													
the end													
Investment													
program													
employee-based													
compensation													
increase													
(see Note 12):													
Restricted													
Share													
Options													
and Phantom													
Units													
and													
Depreciation													
on shares issued	79,088	—	—	—	—	—	—	—	14,004	—	—	—	14,004
for													
employee-based													
compensation	206,200	—	—	—	—	2	—	—	4,740	—	—	—	4,742
growth													
incentives	820,697	—	—	—	—	8	—	—	(8 )	—	—	—	—
acquired													
through													
the purchase,													
including													
of													
restricted													
shares	—	—	(334,469 )	—	—	—	(3 )	—	(8,287 )	(660 )	—	—	(8,950 )
treasury shares	(1,152 )	—	—	—	—	—	—	(67 )	—	—	—	—	(67 )
at the													
balance,													
as of													
December 31,													
and, carried													
forward	69,208,888	200,000	13,665,531	5,105,000	—	\$692	\$190	\$(379)	\$2,023,622	\$(411,792)	\$(40,628)	—	\$1,571,111

See accompanying notes to consolidated financial statements.

SEASPAN CORPORATION

Consolidated Statements of Shareholders' Equity (Continued)

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

Years ended December 31, 2015, 2014 and 2013

	Number of common shares Class A	Number of preferred shares Series A	Series C	Series D	Series E	Common shares	Preferred shares	Treasury shares	Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total equity
31, ied	69,208,888	200,000	13,665,531	5,105,000	—	\$692	\$190	\$(379)	\$2,023,622	\$(411,792)	\$(40,628)	\$1
gs	—	—	—	—	—	—	—	—	—	131,247	—	1
nsive	—	—	—	—	—	—	—	—	—	—	5,311	5
n of	23,177,175	(200,000)	—	—	—	232	(2 )	—	(230 )	—	—	—
ied	—	—	—	—	5,400,000	—	54	—	134,946	—	—	1
(b))	206,600	—	—	—	—	2	—	—	4,731	—	—	4
shares	—	—	—	—	—	—	—	—	(5,073 )	—	—	(
(a))	—	—	—	—	—	—	—	—	(5,073 )	—	—	(

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on												
shares	—	—	—	—	—	—	—	—	—	(127,007)	—	(
on												
	—	—	—	—	—	—	—	—	—	(50,443 )	—	(
ion												
share												
costs	—	—	—	—	—	—	—	—	1,166	(1,166 )	—	—
ued												
ment	3,043,731	—	—	—	—	31	—	—	64,666	—	—	6
ed												
tion												
:												
ed												
om												
s,												
on												
ed												
ected	214,464	—	—	—	—	2	—	—	7,699	—	—	7
s												
ed	344,438	—	—	—	—	3	—	—	7,350	—	—	7
tion												
yth	468,968	—	—	—	—	5	—	—	(5 )	—	—	—
shares	(1,336 )	—	—	—	—	—	—	—	—	—	—	—
31,	96,662,928	—	13,665,531	5,105,000	5,400,000	\$967	\$242	\$(379)	\$2,238,872	\$(459,161)	\$(35,317)	\$1
ied												

See accompanying notes to consolidated financial statements.

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SEASPAN CORPORATION

Consolidated Statements of Shareholders' Equity (Continued)

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

Years ended December 31, 2015, 2014 and 2013

	Number of common shares Class A	Number of preferred shares Series A Series C	Series D	Series E	Common shares	Preferred shares	Treasury shares	Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total shareholders' equity
Balance, December 31, 2012, as carried forward	96,662,928	— 13,665,531	5,105,000	5,400,000	\$967	\$242	\$(379)	\$2,238,872	\$(459,161)	\$(35,317)	\$1,743,062
Net earnings	—	—	—	—	—	—	—	—	199,391	—	199,391
Comprehensive income	—	—	—	—	—	—	—	—	—	4,397	4,397
Dividends on Class A common shares	—	—	—	—	—	—	—	—	(144,553)	—	(144,553)
Dividends on preferred shares	—	—	—	—	—	—	—	—	(53,655)	—	(53,655)
Reclassification of Series C shares	—	—	—	—	—	—	—	—	—	—	—
Share-based compensation costs	—	—	—	—	—	—	—	1,310	(1,310)	—	—
Share-based compensation issued	—	—	—	—	—	—	—	—	—	—	—
Share-based investment	2,138,653	—	—	—	21	—	—	38,841	—	—	38,864
Share-based compensation	229,254	—	—	—	2	—	—	3,926	—	—	3,928

(See page 12):

restricted A on , antom units, preciation issued d ted stock												
based nsation on	537,758	—	—	—	5	—	—	9,786	(1,037 )	—	8,754	
hased, nding l ses red	(944,524 )	—	—	—	(9 )	—	—	(13,876 )	—	—	(13,876 )	
hased, nding l ses ary shares ce, ber 31,	—	(343,757 )	(123,971 )	(29,400 )	—	(5 )	—	(12,198 )	(100 )	—	(12,303 )	
	(1,909 )	—	—	—	—	—	23	—	—	—	23	
	98,622,160	13,321,774	4,981,029	5,370,600	\$986	\$237	\$(356)	\$2,266,661	\$(460,425)	\$(30,920)	\$1,776,973	

See accompanying notes to consolidated financial statements.



## SEASPAN CORPORATION

## Consolidated Statements of Cash Flows

(Expressed in thousands of United States dollars)

Years ended December 31, 2015, 2014 and 2013

	2015	2014	2013
Cash from (used in):			
Operating activities:			
Net earnings	\$ 199,391	\$ 131,247	\$ 299,028
Items not involving cash:			
Depreciation and amortization	204,862	181,527	172,459
Share-based compensation (note 12)	4,528	8,301	14,604
Amortization of deferred charges (note 5)	11,685	10,342	9,477
Amounts reclassified from other			
comprehensive loss to interest expense	3,319	4,259	5,330
Unrealized change in fair value of financial instruments	(53,252 )	(13,064 )	(187,522 )
Equity (income) loss on investment (note 6(a))	(5,107 )	(256 )	670
Refinancing expenses and recoveries (note 5)	5,148	(398 )	2,017
Amortization of deferred gain (note 9(c))	(9,795 )	(1,428 )	—
Other income	(6,600 )	—	—
Other	7,759	10,614	720
Changes in assets and liabilities:			
Accounts receivable	(323 )	(9,593 )	(4,577 )
Lease receivable	21,170	21,170	15,675
Prepaid expenses	(15,960 )	856	(1,769 )
Other assets and deferred charges	(31,011 )	(9,380 )	(2,716 )
Accounts payable and accrued liabilities	10,231	9,046	6,071
Deferred revenue	(10,085 )	3,188	(1,188 )
Other long-term liabilities	(88 )	(3,472 )	(610 )
Cash from operating activities	335,872	342,959	327,669
Financing activities:			
Senior unsecured notes issued (note 8(c))	—	345,000	—
Preferred shares issued, net of issuance costs (note 10(b))	—	130,415	47,862
Common shares issued, net of issuance costs (note 10(a))	—	4,245	73,179
Draws on credit facilities	534,325	660,160	164,000
Repayment of credit facilities	(607,174)	(872,659)	(67,406 )
Draws on other long-term liabilities	150,000	—	—
Repayment of other long-term liabilities	(21,691 )	(393,382)	(39,988 )
Shares repurchased, including related expenses (note 10)	(26,188 )	—	(8,950 )
Financing fees (note 5)	(17,399 )	(17,405 )	(23,334 )
Dividends on common shares	(105,691)	(62,310 )	(44,379 )

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Dividends on preferred shares	(53,655 )	(50,443 )	(38,493 )
Proceeds from sale-leaseback of vessels (note 9(c))	542,000	330,000	—
Cash from financing activities	394,527	73,621	62,491
Investing activities:			
Expenditures for vessels	(712,663)	(524,255)	(255,593)
Short-term investments	(2,203 )	10,463	24,425
Restricted cash	—	60,000	(1,755 )
Loans to affiliate (note 3)	(201,865)	(210,713)	(93,700 )
Repayment of loans to affiliate (note 3)	200,680	850	39,633
Other assets	(583 )	(27,550 )	(3,724 )
Investment in affiliate (note 6(a))	—	—	(4,444 )
Cash used in investing activities	(716,634)	(691,205)	(295,158)
Increase (decrease) in cash and cash equivalents	13,765	(274,625)	95,002
Cash and cash equivalents, beginning of year	201,755	476,380	381,378
Cash and cash equivalents, end of year	\$215,520	\$201,755	\$476,380

Supplemental cash flow information (note 13(b))

See accompanying notes to consolidated financial statements.

SEASPAN CORPORATION

Notes to Consolidated Financial Statements

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

Years ended December 31, 2015, 2014 and 2013

1. General:

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

2. Summary of significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and the following accounting policies have been consistently applied in the preparation of the consolidated financial statements.

(b) Principles of consolidation:

The accompanying consolidated financial statements include the accounts of Seaspan Corporation and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

The Company also consolidates any variable interest entities (“VIEs”) of which it is the primary beneficiary. The primary beneficiary is the enterprise that has both the power to make decisions that most significantly affect the economic performance of the VIE and has the right to receive benefits or the obligation to absorb losses that in either case could potentially be significant to the VIE. The impact of the consolidation of these VIEs is described in note 9.

The Company accounts for its investment in companies in which it has significant influence by the equity method. The Company’s proportionate share of earnings (loss) is included in earnings and added to or deducted from the cost of the investment.

(c) Foreign currency translation:

The functional and reporting currency of the Company is the United States dollar. Transactions involving other currencies are converted into United States dollars using the exchange rates in effect at the time of the transactions. At the balance sheet date, monetary assets and liabilities that are denominated in currencies other than the United States dollar are translated into United States dollars using exchange rates at that date. Exchange gains and losses are included in net earnings.

(d) Cash equivalents:

Cash equivalents include highly liquid securities with terms to maturity of three months or less when acquired.



SEASPAN CORPORATION

Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

(e) Vessels:

Except as described below, vessels are recorded at their cost, which consists of the purchase price, acquisition and delivery costs, less accumulated depreciation.

Vessels purchased from the predecessor upon completion of the Company's initial public offering in 2005 were initially recorded at the predecessor's carrying value.

Vessels under construction include deposits, installment payments, interest, financing costs, transaction fees, construction design, supervision costs, and other pre-delivery costs incurred during the construction period.

Depreciation is calculated on a straight-line basis over the estimated useful life of each vessel, which is 30 years from the date of completion. The Company calculates depreciation based on the estimated remaining useful life and the expected salvage value of the vessel.

Vessels that are held for use are evaluated for impairment when events or circumstances indicate that their carrying amounts may not be recoverable from future undiscounted cash flows. Such evaluations include the comparison of current and anticipated operating cash flows, assessment of future operations and other relevant factors. If the carrying amount of the vessel exceeds the estimated net undiscounted future cash flows expected to be generated over the vessel's remaining useful life, the carrying amount of the vessel is reduced to its estimated fair value.

(f) Dry-dock activities:

Classification rules require that vessels be dry-docked for inspection including planned major maintenance and overhaul activities for ongoing certification. The Company generally dry-docks its vessels once every five years. Dry-docking activities include the inspection, refurbishment and replacement of steel, engine components, electrical, pipes and valves, and other parts of the vessel. The Company has adopted the deferral method of accounting for dry-dock activities whereby capital costs incurred are deferred and amortized on a straight-line basis over the period until the next scheduled dry-dock activity.

(g) Goodwill:

Goodwill represents the excess of the purchase price of an acquired enterprise over the fair value assigned to assets acquired and liabilities assumed in a business combination. Goodwill is not amortized, but reviewed for impairment annually or more frequently if impairment indicators arise. When goodwill is reviewed for impairment, the Company may elect to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. Alternatively, the Company may bypass this step and use a fair value approach to identify potential goodwill impairment and, when necessary, measure the amount of impairment. The Company uses a discounted cash flow model to determine the fair value of reporting units, unless there is a readily determinable fair market value.

(h)Deferred financing fees:

Deferred financing fees represent the unamortized costs incurred on issuance of the Company's credit and lease facilities. Amortization of deferred financing fees on credit facilities is provided on the effective interest rate method over the term of the facility based on amounts available under the facilities. Amortization of deferred financing fees on capital leases is provided on the effective interest rate method over the term of the underlying obligation and amortization of deferred financing fees on operating leases is provided on a straight line basis over the lease term.

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SEASPAN CORPORATION

Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

(i) Revenue recognition:

The Company derives its revenue primarily from the charter of its vessels. Each charter agreement is evaluated and classified as an operating or capital lease. For time charters classified as operating leases, revenue for the lease and service components is recognized each day the vessel is on-hire and when collection is reasonably assured.

For capital leases that are sales-type leases, the difference between the gross investment in lease and the present value of its components, i.e. the minimum lease payments and the estimated residual value, is recorded as unearned lease interest income. The discount rate used in determining the present values is the interest rate implicit in the lease. The present value of the minimum lease payments, computed using the interest rate implicit in the lease, is recorded as the sales price, from which the carrying value of the vessel at the commencement of the lease is deducted in order to determine the profit or loss on sale. Unearned lease interest income is amortized to income over the period of the lease so as to produce a constant periodic rate of return on the net investment in lease.

Revenue from vessel management is recognized each day the vessel is managed and when collection is reasonably assured.

During 2015, the Company changed its method of accounting for project revenue from completed contract to percentage of completion because reasonably dependable estimates are now available. Previously, the Company had applied the completed contract method because there was a lack of dependable estimates. Under the percentage of completion method, the Company measures progress on a contract using the output method, where the output is performance of the contracted services. The change which was applied retrospectively to all prior periods, had no impact on the amounts reported in the Company's current or prior period financial statements. Funds received from customers prior to substantial completion of the contract continue to be recorded as deferred revenue.

(j) Leases:

Leases, where the Company is the lessee, are classified as either capital leases or operating leases based on an assessment of the terms of the lease.

For sale-leaseback transactions, the Company, as seller-lessee, would recognize a gain or loss over the term of the lease as an adjustment to the lease expense, unless the loss is required to be recognized immediately by accounting standards. The term of the lease includes the fixed non-cancelable term of the lease plus all renewal periods where that renewal appears reasonably assured.

(k) Derivative financial instruments:

The Company's hedging policies permit the use of various derivative financial instruments to manage interest rate risk. The Company has entered into interest rate swaps and swaptions to reduce the Company's exposure to changing interest rates on its credit facilities.

All of the Company's derivatives are measured at their fair value at the end of each period. For derivatives not designated as accounting hedges, changes in their fair value are recorded in earnings.

The Company had previously designated certain of its interest rate swaps as accounting hedges and applied hedge accounting to those instruments. While hedge accounting was applied, the effective portion of the unrealized gains or losses on those designated interest rate swaps was recorded in other comprehensive loss.

By September 30, 2008, the Company de-designated all of the interest rate swaps it had accounted for as hedges to that date. Subsequent to their de-designation dates, changes in their fair value are recorded in earnings.

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SEASPAN CORPORATION

Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

The Company evaluates whether the occurrence of any of the previously hedged interest payments are considered to be remote. When the previously hedged interest payments are not considered remote of occurring, unrealized gains or losses in accumulated other comprehensive income associated with the previously designated interest rate swaps are recognized in earnings when and where the interest payments are recognized. If such interest payments are identified as being remote, the accumulated other comprehensive income balance pertaining to these amounts is reversed through earnings immediately.

(l) Fair value measurement:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants at the measurement date. The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2—Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

(m) Share-based compensation:

The Company has granted restricted shares, phantom share units, stock appreciation rights (“SARs”) and restricted stock units to certain of its officers, members of management and directors as compensation. Compensation cost is measured at their grant date fair values. Under this method, restricted shares, phantom share units and restricted stock units are measured based on the quoted market price of the Company’s Class A common shares at date of the grant, and SARs are measured at fair value using the Monte Carlo model. The fair value of each grant is recognized straight-line over the requisite service period.

(n) Earnings per share:

The treasury stock method is used to compute the dilutive effect of the Company’s share-based compensation awards. Under this method, the incremental number of shares used in computing diluted earnings per share (“EPS”) is the difference between the number of shares assumed issued and purchased using assumed proceeds.

The if-converted method was used to compute the dilutive effect of the Company’s Series A preferred shares until January 30, 2014, the date the Company’s outstanding 200,000 Series A preferred shares automatically converted into Class A common shares. Under the if-converted method, dividends applicable to the Series A preferred shares were added back to earnings attributable to common shareholders, and the Series A preferred shares and paid-in kind dividends were assumed to have been converted at the share price applicable at the end of the period. The

if-converted method was applied to the computation of diluted EPS only if the effect was dilutive.

The dividends applicable to the Series C, D and E preferred shares reduce the earnings available to common shareholders, even if not declared, since the dividends are cumulative.

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SEASPAN CORPORATION

Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

(o) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenue and expenses during the reporting fiscal periods. Areas where accounting judgments and estimates are significant to the Company include the assessment of the vessel useful lives, expected salvage values and the recoverability of the carrying value of vessels which are subject to future market events, carrying value of goodwill and the fair value of interest rate derivative financial instruments and share-based awards. Actual results could differ from those estimates.

(p) Comparative information:

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

(q) Recent accounting pronouncements:

In February 2016, the Financial Accounting Standards Board, or the FASB, issued Accounting Standards Update, or ASU, 2016-02, "Leases". ASU 2016-02 will require lessees to recognize all leases, including operating leases, with a term greater than 12 months on the balance sheet, for the rights and obligations created by those leases. The accounting for lessors will remain largely unchanged from the existing accounting standards. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities". ASU 2016-01 changes the income statement impact of equity investments held by an entity, and the recognition of changes in fair value of financial liabilities when the fair value option is elected. The standard does not apply to equity method investments or investments in consolidated subsidiaries. For entities that elect the fair value option for financial liabilities, the change in fair value that is attributable to instrument-specific credit risk must be recognized in other comprehensive income instead of net income. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

In August 2015, the FASB issued ASU 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-Of-Credit Arrangements". The guidance in ASU 2015-03 as described below does not address the presentation or subsequent measurement of debt issuance costs related to line of credit ("LOC") arrangements. ASU 2015-15 states that the SEC staff would not object to an entity deferring and presenting debt issuance costs related to a LOC arrangement as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the LOC arrangement, regardless of whether there are outstanding borrowings. The Company is evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

In July 2015, the FASB delayed the effective date of ASU 2014-09, “Revenue from Contracts with Customers” by one year. Reporting entities may choose to adopt the standard as of the original effective date. The FASB decided, based on its outreach to various stakeholders and the forthcoming amendments to ASU 2014-09, that a deferral is necessary to provide adequate time to effectively implement the new revenue standard. ASU 2014-09 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company is evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

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SEASPAN CORPORATION

Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs”, as part of its simplification initiative. ASU 2015-03 changes the presentation of debt issuance costs in financial statements such that an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. The Company is evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, “Consolidation – Amendments to the Consolidation Analysis”. ASU 2015-02 changes the evaluation of whether limited partnerships, and similar legal entities, are variable interest entities, or VIEs, and eliminates the presumption that a general partner should consolidate a limited partnership that is a voting interest entity. The new guidance also alters the analysis for determining when fees paid to a decision maker or service provider represent a variable interest in a VIE and how interests of related parties affect the primary beneficiary determination. ASU 2015-02 is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015. The new standard allows early adoption, including early adoption in an interim period. The Company is evaluating the new guidance to determine the impact it will have on its consolidated financial statements

3. Related party transactions:

(a) At December 31, 2015, the Company had \$219,649,000 (2014 – \$237,908,000) due from Greater China Intermodal Investments LLC (“GCI”) recorded as loans to affiliate. This amount includes the following:

- The Company had \$209,982,000 (2014 – \$219,841,000) due from GCI for payments made in connection with vessels that GCI will acquire pursuant to a right of first refusal. These loans bear interest at rates ranging from 5% to 6% per annum (2014 – 5% to 7%). The Company may request repayment of these loans with 45 days notice.
- A promissory note issued by GCI for \$8,000,000 which bears interest at 7% per annum was repaid on December 1, 2015 (2014 - \$8,553,000).
- The interest receivable on these amounts is \$9,667,000 (2014 – \$9,514,000).

The Company had \$4,530,000 (2014 – \$8,195,000) due from GCI included in accounts receivable and \$1,500,000 (2014 – \$6,788,000) due to GCI included in accounts payable and accrued liabilities.

The Company had \$588,000 (2014 – \$1,454,000) due from other related parties included in accounts receivable and \$265,000 (2014 – nil) due to other related parties included in accounts payable and accrued liabilities.

(b) The Company incurred the following income or expenses with related parties:

	2015	2014	2013
<b>Fees paid:</b>			
Arrangement fees	\$8,627	\$4,520	\$6,631
Transaction fees	9,506	7,323	3,532
Reimbursed expenses	33	237	72
<b>Income earned:</b>			
Interest income	10,614	9,888	1,150
Management fees	3,154	913	69
Supervision fees	1,950	—	—

The income or expenses with related parties relate to amounts paid to or received from individuals or entities that are associated with the Company's directors or officers and these transactions are governed by pre-arranged contracts.

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## SEASPAN CORPORATION

## Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

Arrangement fees are paid to a company controlled by one of our directors in connection with services associated with debt or lease financing and are generally recorded as deferred financing fees and amortized over the term of the related debt or lease.

Transaction fees are paid to the Company's chief executive officer in connection with services he provided related to newbuild contracts, purchase or sale contracts and are capitalized to vessels.

Arrangement fees and transaction fees are paid either in cash or, at the Company's discretion, a combination of cash and up to 50% in the Company's common shares (note 12(iv)).

Interest income is earned on loans to affiliate.

Management fees are earned from GCI for the management of GCI's vessels and are included in revenue.

Supervision fees are earned from GCI for the management of GCI's newbuild vessels and are included in revenue.

## 4. Vessels:

		Accumulated	Net book
December 31, 2015	Cost	depreciation	value
Vessels	\$6,149,625	\$ 1,080,396	\$5,069,229
Vessels under construction	209,119	—	209,119
Vessels	\$6,358,744	\$ 1,080,396	\$5,278,348

		Accumulated	Net book
December 31, 2014	Cost	depreciation	value
Vessels	\$5,708,685	\$ 894,964	\$4,813,721
Vessels under construction	282,002	—	282,002
Vessels	\$5,990,687	\$ 894,964	\$5,095,723

During the year ended December 31, 2015, the Company capitalized interest costs of \$5,361,000 (2014 – \$8,184,000; 2013 – \$2,873,000) to vessels under construction.

5. Deferred charges:

	Financing		
	Dry-docking	fees	Total
December 31, 2013	\$ 12,247	\$41,724	\$53,971
Costs incurred	11,318	19,445	30,763
Amortization expensed <sup>(a)</sup>	(5,059 )	(10,342 )	(15,401 )
Refinancing expenses <sup>(b)</sup>	—	(3,279 )	(3,279 )
Amortization capitalized	—	(1,399 )	(1,399 )
December 31, 2014	\$ 18,506	\$46,149	\$64,655
Costs incurred	32,837	21,712	54,549
Amortization expensed <sup>(a)</sup>	(8,569 )	(11,685 )	(20,254 )
Refinancing expenses <sup>(b)</sup>	—	(5,148 )	(5,148 )
Amortization capitalized	—	(1,162 )	(1,162 )
December 31, 2015	\$ 42,774	\$49,866	\$92,640

(a) Amortization of dry-docking costs is included in depreciation and amortization. Amortization of financing fees is included in amortization of deferred charges, unless it qualifies for capitalization.



## SEASPAN CORPORATION

## Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

(b) During 2015, the Company refinanced four term loans to finance one 10000 TEU and four 14000 TEU vessels. In connection with the refinancing, the Company wrote off deferred financing fees totaling approximately \$5,148,000.

During 2014, the Company negotiated an early termination of its lease financing structure related to five 4500 TEU vessels. As a result, the Company wrote off deferred financing fees of approximately \$945,000. In addition, the Company incurred refinancing expenses and costs of approximately \$2,334,000 related to its issuance of senior unsecured notes.

In December 2013, the Company entered into an agreement to extend and refinance its \$1.0 billion revolving credit facility, or the Facility. In connection with the refinancing, the Company incurred refinancing expenses and costs of approximately \$4,038,000.

#### 6. Other assets:

	2015	2014
Equity investment in affiliate <sup>(a)</sup>	\$44,106	\$19,555
Restricted cash	13,858	13,855
Intangible assets	2,471	2,525
Capital assets	2,288	1,579
Other	26,333	29,794
Other assets	\$89,056	\$67,308

(a) On March 14, 2011, the Company entered into an agreement to participate in GCI, an investment vehicle established by an affiliate of The Carlyle Group. GCI 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 GCI of up to \$100,000,000 during the investment period, which is anticipated to be up to five years. The Company accounts for its 10.8% (2014 – 10.8%) investment in GCI using the equity method. The investment of \$44,106,000 (2014 - \$19,555,000) is comprised of the Company's capital contribution of \$40,852,000 (2014 – \$21,408,000) and its cumulative equity income on investment of \$3,254,000 (2014 – cumulative loss of \$1,853,000).

7. Deferred revenue:

	2015	2014
Deferred revenue on time charters	\$14,271	\$21,889
Deferred interest on lease receivable	1,428	4,143
Other deferred revenue	9,230	8,982
Deferred revenue	24,929	35,014
Current portion	(22,199)	(27,671)
Deferred revenue	\$2,730	\$7,343

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## SEASPAN CORPORATION

## Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

## 8. Long-term debt:

	2015	2014
Long-term debt:		
Revolving credit facilities <sup>(a)</sup>	\$ 1,057,093	\$ 1,301,920
Term loan credit facilities <sup>(b)</sup>	1,985,102	1,735,499
Senior unsecured notes <sup>(c)</sup>	345,000	345,000
Long-term debt	3,387,195	3,382,419
Current portion	(287,346 )	(298,010 )
Long-term debt	\$3,099,849	\$3,084,409

## (a) Revolving credit facilities:

As of December 31, 2015, the Company had four long-term revolving credit facilities (“Revolvers”) available and a line of credit, which provided for aggregate borrowings of up to \$1,227,115,000 (2014 – \$1,307,046,000), of which \$170,022,000 (2014 – \$5,126,000) was undrawn. One of the term loan credit facilities (“Term Loans”) has a revolving loan component and this component has been included in the Revolvers.

On April 22, 2015, the Company entered into a 364-day unsecured, revolving loan facility with various banks for up to \$200,000,000 to be used to fund vessels under construction and for general corporate purposes. The facility bears interest at LIBOR plus a margin. At December 31, 2015, \$35,000,000 has been drawn under this facility.

The Revolvers mature between April 30, 2016 and December 31, 2023.

Based on the Revolvers outstanding at December 31, 2015, the minimum repayments for the balances outstanding are as follows:

2016	\$98,789
2017	104,183
2018	65,923
2019	197,320
2020	53,281
Thereafter	537,597
	\$ 1,057,093

Interest is calculated as one month LIBOR plus a margin per annum. At December 31, 2015, the one month LIBOR was 0.3% (2014 – one month and three month LIBOR 0.2%) and the margins ranged between 0.5% and 1.3% (2014 – 0.5% and 1.3%). The weighted average rate of interest, including the margin, was 0.9% at December 31, 2015 (2014 – 0.8%). Interest payments are made monthly.

The Company is subject to commitment fees ranging between 0.2% and 0.4% calculated on the undrawn amounts under the various facilities.

The Revolver loan payments are made in semi-annual payments commencing six or thirty-six months after delivery of the associated newbuilding containership for the secured facilities. For certain of our Revolvers with a principal outstanding of \$93,240,000 payment is due in full at maturity.

(b) Term loan credit facilities:

As of December 31, 2015, the Company had 15 Term Loans available, which provided for aggregate borrowings of up to \$2,216,352,000 (2014 – \$2,075,499,000), of which \$231,250,000 (2014 – \$340,000,000) was undrawn. One of the Term Loans has a revolving loan component and this component has been included in the Revolvers.

## SEASPAN CORPORATION

## Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

During the year ended December 31, 2015, the Company entered into five term loan facilities for a total of \$702,700,000 to finance three 10000 TEU, four 4250 TEU and four 14000 TEU containerships. During the year, the Company terminated a portion of a term loan facility to finance one 14000 TEU containership. As a result, \$97,500,000 is no longer available. Each loan bears interest at LIBOR plus a margin. At December 31, 2015, \$366,577,000 was drawn under these facilities.

The Term Loans mature between December 11, 2016 and July 6, 2025.

Based on the Term Loans outstanding at December 31, 2015, the minimum repayments for the balances outstanding are as follows:

2016	\$ 188,557
2017	178,682
2018	221,427
2019	373,893
2020	301,669
Thereafter	720,874
	\$ 1,985,102

For certain of our Term Loans with a total principal outstanding of \$1,881,270,000 interest is calculated as one month, three month or six month LIBOR plus a margin per annum, depending on the interest period selected by the Company. At December 31, 2015, the one month, three month and six month LIBOR was 0.3%, 0.5% and 0.5%, respectively (2014 – 0.2%, 0.2% and 0.3%, respectively) and the margins ranged between 0.4% and 4.8% (2014 – 0.4% and 4.8%).

For certain of our Term Loans with a total principal outstanding of \$103,832,000, interest is calculated based on the Export-Import Bank of Korea (KEXIM) plus 0.7% per annum.

The weighted average rate of interest, including the margin, was 3.0% at December 31, 2015 (2014 – 2.8%). Interest payments are made in monthly, quarterly or semi-annual payments.

The Company is subject to commitment fees ranging between 0.7% and 0.8% calculated on the undrawn amounts under the various facilities.

The Term Loan payments are made in quarterly or semi-annual payments commencing three, six or thirty-six months after delivery of the associated newbuilding containership or utilization date. For one of our Term Loans with a total principal outstanding of \$90,000,000, payment is due on the first and third anniversary of the drawdown date.

(c) Senior unsecured notes:

On April 3, 2014, the Company issued 13,800,000 senior unsecured notes (“the Notes”) at a price of \$25.00 per note for gross proceeds of \$345,000,000. A portion of the Notes were used to repay a \$125,000,000 term loan credit facility. The Notes mature on April 30, 2019 and bear interest at a rate of 6.375% per annum, payable quarterly.

(d) General:

The security for each of the Company’s current secured credit facilities includes:

- A first priority mortgage on the collateral vessels funded by the related credit facility;
- An assignment of the Company’s time charters and earnings related to the related collateral vessels;
- An assignment of the insurance on each of the vessels that are subject to a related mortgage;
- An assignment of the Company’s related shipbuilding contracts; and
- A pledge of the related retention accounts.

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## SEASPAN CORPORATION

## Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

The Company may prepay certain amounts outstanding without penalty, other than breakage costs in certain circumstances. Under each of our credit facilities, in certain circumstances a prepayment may be required as a result of certain events including the sale or loss of a vessel, a termination or expiration of a charter (and the inability to enter into a charter suitable to lenders within a period of time) or termination of a shipbuilding contract. The amount that must be prepaid may be calculated based on the loan to market value ratio or some other ratio that takes into account the market value of the relevant vessels.

In these circumstances, valuations of our vessels are conducted on a “without charter” basis as required under the relevant credit facility agreement. Amounts prepaid in accordance with these provisions may be re-borrowed, subject to certain conditions.

Each credit facility contains financial covenants requiring the Company maintain minimum liquidity, tangible net worth, interest coverage ratios, interest and principal coverage ratios, and debt to assets ratios, as defined. The Company is in compliance with these covenants at December 31, 2015.

#### 9. Other long-term liabilities:

	2015	2014
Long term obligations under capital lease <sup>(a) (b)</sup>	\$ 342,767	\$ 214,458
Deferred gain on sale-leasebacks <sup>(c)</sup>	163,554	57,627
Other long-term liabilities	506,321	272,085
Current portion	(38,298 )	(18,543 )
Other long-term liabilities	\$ 468,023	\$ 253,542

(a) The Company, through certain of its wholly-owned 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.

Under these arrangements, the Company has agreed to transfer the vessels to the lessors and, commencing on the delivery date of the vessels by the shipyard, lease the vessels 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 are accounted for as capital leases. The vessels are recorded as an asset and the lease obligations are recorded as a liability.

In certain of the arrangements, the lessors are companies whose only assets and operations are to hold the Company's leases and vessels. The Company operates the vessels during the lease term and supervises the vessels' construction before the lease term begins. As a result, the Company is considered to be the primary beneficiary of the lessors and consolidates the lessors for financial reporting purposes. The terms of the leases are as follows:

(i) COSCO Pride - 13100 TEU vessel:

Under this arrangement, the lessor has provided financing of \$144,185,000. The term of the lease is 12 years beginning June 29, 2011, which was the vessel's delivery date. Lease payments include an interest component based on three month LIBOR plus a 2.6% margin. At the end of the lease, the outstanding balance of up to \$48,000,000 will be due and title of the vessel will transfer to the Company.

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## SEASPAN CORPORATION

## Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

(ii) COSCO Faith - 13100 TEU vessel:

Under this arrangement, the lessor has provided financing of \$109,000,000. The term of the lease is 12 years beginning March 14, 2012, which was the vessel's delivery date. Lease payments include an interest component based on three month LIBOR plus a 3.0% margin. At the end of the lease, the Company will have the option to purchase the vessel from the lessor for \$1.

(b) On March 11, 2015, the Company entered into financing arrangements with Asian special purpose companies to refinance three 4500 TEU containerships for total proceeds of \$150,000,000. Under the arrangements, the Company sold the vessels and is leasing the vessels back over a five year term. At the end of the lease term, the Company is obligated to purchase the vessels at a pre-determined purchase price. The leases are accounted for as capital leases. The vessels are recorded as an asset and the lease obligations are recorded as a liability.

Previously, these containerships along with two other 4500 TEU containerships were financed by five leases with a subsidiary of a financial institution. The leases were five-year terms that commenced between October 2010 and August 2011. In December 2014, the Company negotiated an early termination of the lease financing structure and, through a series of agreements, regained legal title to the vessels. As a result, the Company paid the termination amounts, funded by cash and the \$60,000,000 that was in a cash deposit account over which the lessor had a first priority interest, realized a net gain of \$3,763,000 and wrote off deferred financing fees of \$945,000.

The weighted average rate of interest, including the margin, was 4.5% at December 31, 2015 (2014 – 3.9%).

As of December 31, 2015, the carrying value of the five vessels funded under these facilities was \$547,401,000 (2014 – two vessels \$315,600,000).

Based on maximum amounts funded, payments due to the lessors for all five vessels would be as follows:

2016	\$36,898
2017	39,812
2018	40,156
2019	40,526
2020	128,970
Thereafter	122,314
	408,676
Less amounts representing interest	(65,909)
	\$342,767

(c)Deferred gain on sale-leasebacks:

During 2015, the Company financed one 10000 TEU and three 14000 TEU newbuilding vessels through lease financing arrangements with Asian special purpose companies (“SPCs”). The lease financing arrangements provided total gross financing proceeds of \$542,000,000. Under the lease financing arrangements, the Company sold the vessels to the SPCs and is leasing the vessels back from the SPCs over an initial term of approximately 8.5 or 9.5 years, with an option to purchase the vessels at the end of the lease term for a pre-determined fair value purchase price. If the purchase option is not exercised, the lease terms will be automatically extended for an additional two or 2.5 years. The sale of these four vessels resulted in a deferred gain totaling approximately \$117,482,000 which is being recorded as a reduction of the related operating lease expense over 10.5 years or 12 years, representing the initial lease term plus extensions.

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SEASPAN CORPORATION

Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

During 2014, the Company financed three 10000 TEU vessels through lease financing arrangements with SPCs, received gross proceeds of \$330,000,000 and recorded a total deferred gain of \$59,055,000 on the sale-leasebacks. The deferred gain will be recorded as a reduction of the related operating lease expense over 10.5 years, representing the initial lease term of 8.5 years plus the two year extension.

10. Share capital:

(a) Common shares:

In addition to Class A common shares, the Company has 25,000,000 Class B common shares and 100 Class C common shares authorized. As at December 31, 2015, there are no Class B or Class C common shares outstanding (2014 – nil).

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.

On May 22, 2014, the Company announced that it had entered into an equity distribution agreement with sales agents under which the Company may, from time to time, issue Class A common shares in one or more at-the-market (“ATM”) offerings up to an aggregate of \$75,000,000 in gross sales proceeds. Sales of such Class A common shares will be made by means of ordinary brokers’ transactions on the New York Stock Exchange at market prices, in block transactions, or as otherwise agreed between the Company and the sales agents. During the year ended December 31, 2015, the Company issued nil (2014 – 206,600) Class A common shares under the ATM program for gross proceeds of nil (2014 – \$4,733,000).

On April 1, 2015, the Company renewed its Rule 10b5-1 repurchase plan for up to \$50,000,000 of its Class A common shares, which expires in March 2018. The Company repurchased 944,524 Class A common shares for approximately \$13,885,000 during the year ended December 31, 2015.

(b) Preferred shares:

As at December 31, 2015, the Company had the following preferred shares outstanding:

Series	Shares		Liquidation preference	
	Authorized	Issued	December 31, 2015	December 31, 2014
A	315,000	—	\$—	\$ —
B	260,000	—	—	—
C	40,000,000	13,321,774	333,044	341,638
D	20,000,000	4,981,029	124,526	127,625
E	15,000,000	5,370,600	134,265	135,000
R	1,000,000	—	—	—

In June 2015, the Company's board of directors authorized the repurchase of up to \$150,000,000 of its Series C preferred shares. In September 2015, the Company's board of directors authorized the repurchase of up to \$25,000,000 of each of its Series D and Series E preferred shares

In September 2015, the Company entered into Rule 10b5-1 repurchase plans for up to \$75,000,000 of its Series C preferred shares, and up to \$7,500,000 for each of its Series D and Series E preferred shares. The share repurchase plans for the preferred shares expired in December 2015.

SEASPAN CORPORATION

Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

During the year ended December 31, 2015, the Company repurchased 303,757 Series C, 123,971 Series D and 29,400 Series E preferred shares for a total of approximately \$7,660,000, \$2,929,000 and \$694,000, respectively, via the repurchase plans.

In addition, during the year ended December 31, 2015, the Company repurchased 40,000 of its 9.5% Series C preferred shares at \$25.50 per share for a total of approximately \$1,020,000 in the open market.

(i) Series C preferred shares:

The Series C preferred shares were issued for cash and pay cumulative quarterly dividends at a rate of 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, fails 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 increases 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.

(ii) Series D preferred shares:

On December 13, 2012, the Company issued 3,105,000 Series D preferred shares for gross proceeds of \$77,625,000. On November 8, 2013, the Company issued an additional 2,000,000 Series D preferred shares for gross proceeds of \$50,000,000. The Series D preferred shares were issued for cash and pay cumulative quarterly dividends at a rate of 7.95% per annum from their date of issuance. At any time on or after January 30, 2018, the Series D preferred shares may be redeemed by the Company, in whole or in part at a redemption price of \$25.00 per share plus unpaid dividends. The Series D preferred shares are not convertible into common shares and are not redeemable at the option of the holder.

(iii) Series E preferred shares:

On February 13, 2014, the Company issued 5,400,000 Series E preferred shares for gross proceeds of \$135,000,000. The Series E preferred shares were issued for cash and pay cumulative quarterly dividends at a rate of 8.25% per annum from their date of issuance. At any time on or after February 13, 2019, the Series E preferred shares may be redeemed by the Company, in whole or in part at a redemption price of \$25.00 per share plus unpaid dividends. The Series E preferred shares are not convertible into common shares and are not redeemable at the option of the holder.

The preferred shares are subject to certain financial covenants and the Company is in compliance with these covenants at December 31, 2015.

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## SEASPAN CORPORATION

## Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

## 11. Earnings per share:

## (a) Earnings per share computation:

The Company applies the if-converted method to determine the EPS impact for the convertible Series A preferred shares for those periods prior to the conversion of the Series A preferred shares on January 30, 2014. The following is a reconciliation of the numerator and denominator used in the basic and diluted EPS computations.

For the year ended	Earnings	Shares	Per share
December 31, 2015	(numerator)	(denominator)	amount
Net earnings	\$ 199,391		
Less preferred share dividends:			
Series C	(33,537 )		
Series D	(10,086 )		
Series E	(11,121 )		
Series C preferred share repurchases	(100 )		
Basic EPS:			
Earnings attributable to common shareholders	\$ 144,547	99,217,000	\$ 1.46
Effect of dilutive securities:			
Share-based compensation	—	61,000	
Diluted EPS:			
Earnings attributable to common shareholders	\$ 144,547	99,278,000	\$ 1.46

For the year ended	Earnings	Shares	Per share
December 31, 2014	(numerator)	(denominator)	amount
Net earnings	\$ 131,247		
Less preferred share dividends:			
Series A	(3,395 )		
Series C	(33,623 )		
Series D	(10,036 )		
Series E	(9,776 )		
Basic EPS:			
Earnings attributable to common shareholders	\$ 74,417	93,402,000	\$ 0.80
Effect of dilutive securities:			
Share-based compensation	—	131,000	
Contingent consideration	—	117,000	

Diluted EPS<sup>(1)</sup>:

Earnings attributable to common shareholders	\$ 74,417	93,650,000	\$ 0.79
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## SEASPAN CORPORATION

## Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

For the year ended December 31, 2013	Earnings (numerator)	Shares (denominator)	Per share amount
Net earnings	\$ 299,028		
Less preferred share dividends:			
Series A	(38,390 )		
Series C	(34,035 )		
Series D	(6,744 )		
Series C preferred share repurchases	(660 )		
Basic EPS:			
Earnings attributable to common shareholders	\$ 219,199	65,273,000	\$ 3.36
Effect of dilutive securities:			
Share-based compensation	—	306,000	
Contingent consideration	—	567,000	
Shares held in escrow	—	47,000	
Convertible Series A preferred shares	38,390	21,641,000	
Diluted EPS:			
Earnings attributable to common shareholders plus assumed conversion	\$ 257,589	87,834,000	\$ 2.93

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

## 12. 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. In December 2015, the Plan, which is administered by the Company's Board of Directors, was amended to increase the total shares of common stock reserved for issuance under the Plan to 3,000,000 (2014 – 2,000,000). The Plan was also amended to an indefinite term (2014 – ten years) from the date of its adoption. At December 31, 2015, there are 1,418,715 (2014 – 578,598) remaining shares left for issuance under this Plan.



## SEASPAN CORPORATION

## Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

A summary of the Company's outstanding restricted shares, phantom share units, SARs and restricted stock units as of December 31, 2015 is presented below:

	Restricted shares		Phantom share units		Stock appreciation rights		Restricted stock units	
	Number	W.A. grant date FV	Number	W.A. grant date FV	Number of SARs	W.A. grant date FV	Number of units	W.A. grant date FV
December 31, 2012	63,653	\$ 14.17	562,000	\$ 13.13	5,674,148	\$ 2.03	—	\$ —
Granted	54,990	17.01	95,000	19.30	1,664,457	3.51	—	—
Vested	(65,578)	14.25	—	—	—	—	—	—
Exercised	—	—	—	—	(241,906 )	3.65	—	—
Cancelled	(4,185 )	17.01	—	—	(23,754 )	3.51	—	—
December 31, 2013	48,880	17.01	657,000	14.02	7,072,945	2.32	—	—
Granted	43,936	22.57	70,000	23.04	—	—	72,314	23.03
Vested	(48,880)	17.01	—	—	—	—	(37,238)	23.03
Exercised	—	—	—	—	(1,193,529)	2.42	—	—
Exchanged	—	—	(20,000 )	19.00	—	—	—	—
Cancelled	—	—	—	—	—	—	—	—
December 31, 2014	43,936	22.57	707,000	14.77	5,879,416	2.30	35,076	23.03
Granted	51,368	18.39	100,000	18.24	—	—	38,142	20.21
Vested	(45,924)	22.39	—	—	—	—	(35,195)	22.01
Exchanged	—	—	(110,000)	16.21	—	—	—	—
Cancelled	(4,433 )	18.39	(49,999 )	19.66	(2,605 )	3.65	(5,195 )	21.86
December 31, 2015	44,947	\$ 18.39	647,001	\$ 14.73	5,876,811	\$ 2.30	32,828	\$ 21.03

During 2015, the Company recognized \$3,928,000 (2014 – \$7,701,000; 2013 – \$14,004,000) in compensation cost related to the above share-based compensation awards.

At December 31, 2015, there was \$1,956,000 (2014 – \$3,041,000) of total unrecognized compensation costs relating to unvested share-based compensation awards which are expected to be recognized over a weighted average period of 17 months.

(i) Restricted shares and phantom share units:

Class A common shares are issued on a one for one basis in exchange for the cancellation of vested restricted shares and phantom share units. The restricted shares generally vest over one year and the phantom share units generally vest over three years. During 2015, the total fair value of restricted shares vested was \$1,028,000 (2014 – \$831,000; 2013 – \$935,000) and the total fair value of shares cancelled was \$82,000 (2014 – nil; 2013 – \$71,000).

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 December 31, 2015, 547,001 (2014 – 560,334) of the outstanding phantom share units were vested and available for exchange by the holder.

(ii) Share appreciation rights:

On March 27, 2013, the Company granted 1,664,457 SARs to certain members of management (the “Participants”) which vest and become exercisable in three tranches when and if the fair market value of the common shares equals or exceeds the applicable base price for each tranche for any 20 consecutive trading days on or before the expiration date of each tranche. The Participants may exercise each vested tranche of SARs and receive common shares with a value equal to the difference between the applicable base price and the fair market value of the common shares on the exercise date. The common shares received on the exercise of SARs are subject to a retention requirement where the Participant is required to retain ownership of 50% of the net after tax number of shares until the later of March 22, 2018 or 120 days after the exercise date.

## SEASPAN CORPORATION

## Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

The assumptions used in the Monte Carlo model to calculate the grant date fair value of the SARs were as follows:

	2013
Average expected term	3.8 years
Expected volatility	39.73 %
Dividend yield	4.97 %
Average risk free rate	0.50 %

The following table provides information about the three tranches of SARs granted:

	Base price	Expiration date	Number of SARs granted
Tranche 1	\$21.50	December 7, 2015	531,885
Tranche 2	24.00	December 7, 2016	556,946
Tranche 3	26.50	December 7, 2017	575,626
Total			1,664,457

## (iii) Restricted stock units:

Under the Company's Cash and Share Bonus Plan, the Company grants restricted stock units to eligible participants. The restricted stock units generally vest over three years, in equal one-third amounts on each anniversary date of the date of the grant. The restricted stock units are valued at the market price of the underlying securities on the grant date and the compensation expense, based on the estimated number of awards expected to vest, is recognized over the three-year vesting period. Upon vesting of the restricted stock units, the participant will receive class A common shares.

## (iv) Other share-based awards:

During 2015, the Company incurred \$9,506,000 (2014 – \$7,323,000; 2013 – \$3,532,000) in transaction fees that were capitalized to vessels of which \$4,753,000 (2014 – \$3,662,000; 2013 – \$1,766,000) were paid in Class A common

shares.

During 2015, the Company incurred \$8,627,000 (2014 – \$4,520,000; 2013 – \$6,631,000) in arrangement fees that were primarily capitalized to deferred financing fees of which \$4,314,000 (2014 – \$2,260,000; 2013 – \$2,666,000) were paid in Class A common shares.

The Company also recognized \$600,000 (2014 – \$600,000; 2013 – \$600,000) in share-based compensation expenses related to the accrued portion of performance based bonuses that are expected to be settled in stock-based awards in future periods. The number of shares issued under each of these arrangements is based on volume weighted average share prices as defined in the underlying agreements.

### 13. Other information:

#### (a) Accounts payable and accrued liabilities:

The principal components of accounts payable and accrued liabilities are:

	2015	2014
Due to related parties (note 3)	\$1,765	\$6,788
Accrued interest	19,841	20,723
Accounts payable and other accrued liabilities	54,780	37,697
	\$76,386	\$65,208

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## SEASPAN CORPORATION

## Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

## (b) Supplemental cash flow information:

	2015	2014	2013
Interest paid on debt	\$97,724	\$91,450	\$59,999
Interest received	10,853	1,211	1,265
Undrawn credit facility fee paid	2,865	3,512	1,656
Non-cash transactions:			
Long-term debt for vessels			
under construction	77,625	8,300	54,080
Dividends on Series A preferred shares	—	3,395	38,390
Dividend reinvestment	38,862	64,697	31,961
Loan repayment for vessels			
under construction	—	29,680	6,560
Arrangement and transaction fees			
(note 12)	9,191	6,753	3,342
Vessel reallocation	—	11,533	—
Fair value of financial instruments	—	50,278	—
Capital contribution through settlement of			
loans to affiliate	19,444	15,000	—

## 14. Commitments and contingent obligations:

(a) As of December 31, 2015, the minimum future revenues to be received on committed time charter party agreements and interest income from sales-type capital leases are approximately:

2016	\$869,010
2017	805,062
2018	794,182
2019	765,268

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2020	724,742
Thereafter	1,981,112
	\$5,939,376

The minimum future revenues are based on 100% utilization, relate to committed time charter party agreements currently in effect and assume no renewals or extensions.

(b) As of December 31, 2015, based on the contractual delivery dates, the Company has outstanding commitments for installment payments for vessels under construction as follows:

2016	\$373,247
2017	293,900
	\$667,147



## SEASPAN CORPORATION

## Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

(c) As of December 31, 2015, the commitment under operating leases for vessels is \$821,684,000 for 2016 to 2027 and office space is \$5,442,000 for 2016 to 2019. Total commitments under these leases are as follows:

2016	\$76,993
2017	77,932
2018	78,180
2019	78,415
2020	79,130
Thereafter	436,476
	\$827,126

## 15. Concentrations:

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

	2015	2014	2013
COSCON	\$298,658	\$303,357	\$301,842
CSCL Asia	125,900	126,399	134,434
MOL	105,676	65,633	52,997
Hapag Lloyd	98,811	77,675	65,463
K-Line	74,542	76,130	76,148
Other	115,437	67,976	46,206
	\$819,024	\$717,170	\$677,090

## 16. Financial instruments:

## (a) Fair value:

The carrying values of cash and cash equivalents, short-term investments, restricted cash, accounts receivable, loans to affiliate and accounts payable and accrued liabilities approximate their fair values because of their short term to maturity. As of December 31, 2015, the fair value of the Company's Revolving and Term loan credit facilities is

\$2,999,746,000 (2014 – \$2,911,330,000) and the carrying value is \$3,042,195,000 (2014 – \$3,037,419,000). As of December 31, 2015, the fair value of the Company's other long-term liabilities, excluding the deferred gains, is \$346,138,000 (2014 – \$217,134,000) and the carrying value is \$342,767,000 (2014 – \$214,458,000). The fair value of the Revolving credit facilities, Term loan credit facilities and other long-term liabilities, excluding the deferred gains, are estimated based on expected principal repayments and interest, discounted by relevant forward rates plus a margin appropriate to the credit risk of the Company. Therefore, the Company has categorized the fair value of these financial instruments as Level 3 in the fair value hierarchy.

As of December 31, 2015, the fair value of the Company's senior unsecured notes is \$335,340,000 (2014 – \$342,240,000) and the carrying value is \$345,000,000 (2014 – \$345,000,000). The fair value of senior unsecured notes is calculated based on a quoted price that is readily and regularly available in an active market. Therefore, the Company has categorized the fair value of these financial instruments as Level 1 in the fair value hierarchy.

## SEASPAN CORPORATION

## Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

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

## (b) Interest rate derivative financial instruments:

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

As of December 31, 2015, the Company had the following outstanding interest rate derivatives:

Fixed per annum rate swapped for	Notional amount as of December	Maximum notional amount <sup>(1)</sup>	Effective date	Ending date	
LIBOR	31, 2015	amount <sup>(1)</sup>	Effective date	Ending date	
5.6400%	\$ 694,987	\$ 694,987	August 31, 2007	August 31, 2017	(2)
5.4200%	438,462	438,462	September 6, 2007	May 31, 2024	
5.9450%	243,542	243,542	January 30, 2014	May 31, 2019	
5.6000%	162,400	162,400	June 23, 2010	December 23, 2021	(2)
5.5950%	95,500	95,500	August 28, 2009	August 28, 2020	(3)
5.2600%	95,500	95,500	July 3, 2006	February 26, 2021	(2)
5.4975%	47,100	47,100	July 31, 2012	July 31, 2019	(3)
5.1700%	24,000	24,000	April 30, 2007	May 29, 2020	
5.8700%	—	620,390	August 31, 2017	November 28, 2025	

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

(2) Prospectively de-designated as an accounting hedge in 2008.

(3) Swap counterparty has an early termination right in 2016 which may require the Company to settle the swap at the early termination date

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

(c) Foreign exchange derivative instruments:

The Company is exposed to market risk from foreign currency fluctuations. The Company has entered into foreign currency forward contracts to manage foreign currency fluctuations. At December 31, 2015, the notional amount of the foreign exchange forward contracts is \$15,200,000 (2014 – \$14,200,000) and the fair value liability is \$1,260,000 (2014 – \$638,000).

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## SEASPAN CORPORATION

## Notes to Consolidated Financial Statements — (Continued)

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

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Included in short-term investments is \$2,095,000 (2014 - \$1,100,000) of restricted cash held as collateral for these foreign currency forward contracts.

(d) Fair value of asset and liability derivatives:

The following provides information about the Company's derivatives:

	2015	2014
Fair value of financial instruments asset	\$33,632	\$37,677
Fair value of financial instruments liability	338,146	395,443

December 31, 2015	Gross amounts of recognized assets and liabilities	Amounts subject to master netting agreement	Net amount
Derivative assets	\$ 33,632	\$ 21,964	\$ 11,668
Derivative liabilities	338,146	21,964	316,182
Net liability	\$ (304,514 )	\$ —	\$ (304,514 )

December 31, 2014	Gross amounts of recognized assets and liabilities	Amounts subject to master netting agreement	Net amount
Derivative assets	\$ 37,677	\$ 26,625	\$ 11,052
Derivative liabilities	395,443	26,625	368,818
Net liability	\$ (357,766 )	\$ —	\$ (357,766 )

The following table provides information about losses included in net earnings and reclassified from accumulated other comprehensive loss ("AOCL") into earnings:

2015	2014	2013
------	------	------

Gain/(Loss) on derivatives recognized			
in net earnings:			
Change in fair value of financial			
instruments	\$(54,576)	\$(105,694)	\$60,504
Loss reclassified from AOCL to net			
earnings <sup>(1)</sup>			
Interest expense	\$(3,319 )	\$(4,259 )	\$(5,330 )
Depreciation and amortization	(1,078 )	(1,052 )	(882 )

(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 AOCL expected to be reclassified to net earnings within the next twelve months is approximately \$3,963,000.

SEASPAN CORPORATION

Notes to Consolidated Financial Statements — (Continued)

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

Years ended December 31, 2015, 2014 and 2013

17. Subsequent events:

- (a) On January 12, 2016, the Company declared a quarterly dividend of \$0.59375, \$0.496875 and \$0.515625 per Series C, Series D and Series E preferred share, respectively, representing a total distribution of \$13,154,000. The dividends were paid on February 1, 2016 to all shareholders of record on January 29, 2016.
- (b) On January 12, 2016, the Company declared a quarterly dividend of \$0.375 per common share. The dividend was paid on February 1, 2016 to all shareholders of record on January 20, 2016. Of the \$36,889,000 distribution, \$35,580,000 was paid in cash and \$1,309,000 was re-invested through the DRIP.
- (c) In January 2016, the Company repurchased 545,570 Class A common shares under its open market repurchase plan for a total of approximately \$7,977,000 excluding related expenses.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

SEASPAN CORPORATION

By: /s/ Mark W. Chu

Mark W. Chu  
Chief Financial Officer

(Principal Financial and Accounting Officer)