

Seaspan CORP
Form 6-K
November 09, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 6-K

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

For the quarterly period ended September 30, 2012

Commission File Number 1-32591

SEASPAN CORPORATION

(Exact name of Registrant as specified in its Charter)

Unit 2, 7th Floor

Bupa Centre

141 Connaught Road West

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Hong Kong

China

(Address of principal executive office)

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

Form 20-F Form 40-F

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

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

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Item 1 Information Contained in this Form 6-K Report

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

SIGNATURES

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

SEASPAN CORPORATION

Date: November 9, 2012

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

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EXHIBIT I

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

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

References to shipbuilders are as follows:

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

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References to customers are as follows:

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

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

⁽²⁾ A subsidiary of China COSCO Holdings Company Limited

⁽³⁾ A subsidiary of Hapag-Lloyd, AG, or Hapag-Lloyd

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

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

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

Interim Consolidated Balance Sheets

(Unaudited)

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

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

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Shareholders equity:

Share capital (note 11):

Preferred shares; \$0.01 par value; 65,000,000 shares authorized

Class A common shares; \$0.01 par value;

200,000,000 shares authorized; 63,009,069 shares issued and outstanding (2011 - 69,620,060)

Class B common shares; \$0.01 par value; 25,000,000 shares authorized; nil shares issued and outstanding (2011 - nil)

Class C common shares; \$0.01 par value; 100 shares authorized; nil shares issued and outstanding (2011 - 100)

	772	838
Treasury shares	(301)	
Additional paid in capital	1,775,392	1,860,979
Deficit	(628,889)	(622,406)
Accumulated other comprehensive loss	(48,780)	(55,986)

	1,098,194	1,183,425
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	\$ 5,570,579	\$ 5,447,716
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Commitments and contingent obligations (note 15)

Subsequent events (note 18)

See accompanying notes to interim consolidated financial statements.

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Interim Consolidated Statements of Operations

(Unaudited)

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

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

See accompanying notes to interim consolidated financial statements.

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Interim Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(Expressed in thousands of United States dollars)

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

See accompanying notes to interim consolidated financial statements.

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Interim Consolidated Statements of Shareholders' Equity

(Unaudited)

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

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

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

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Dividends on Series C preferred shares									(22,206)		(22,206)	
Amortization of Series C issuance costs								830	(830)			
Balance, December 31, 2011	69,620,060	100	200,000		14,000,000	696	142		1,860,979	(622,406)	(55,986)	1,183,425
Shares issued through dividend reinvestment program	409,501					4			6,209			6,213
Share-based compensation (note 13)	194,714					3			4,005			4,008
Net earnings										62,322		62,322
Other comprehensive income											7,206	7,206
Dividends on class A common shares (\$0.6875 per share)										(43,185)		(43,185)
Shares repurchased, including related expenses	(11,416,501)					(114)			(172,228)			(172,342)
Shares issued and retired on acquisition (note 3)	4,220,728	(100)				42			75,745			75,787
Treasury shares	(19,433)					(1)	(301)					(302)
Dividends on Series C preferred shares										(24,938)		(24,938)
Amortization of Series C issuance costs								682	(682)			
Balance, September 30, 2012	63,009,069		200,000		14,000,000	\$ 630	\$ 142	\$ (301)	\$ 1,775,392	\$ (628,889)	\$ (48,780)	\$ 1,098,194

See accompanying notes to interim consolidated financial statements.

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Interim Consolidated Statements of Cash Flows

(Unaudited)

(Expressed in thousands of United States dollars)

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

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Cash acquired on acquisition of Seaspan Management

Services Ltd. (note 3)

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

Supplementary information (note 14(b))

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

(Unaudited)

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

Three and nine months ended September 30, 2012

1. General:

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

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

2. Significant accounting policies:

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

(a) Principles of consolidation:

The accompanying financial statements include the accounts of Seaspan Corporation and all of its subsidiaries, which are wholly-owned. As of September 30, 2012, the following additional subsidiaries are being consolidated:

Seaspan Management Services Limited;

Seaspan Ship Management Ltd.;

Seaspan Crew Management Ltd.;

Seaspan Advisory Services Limited;

Seaspan Crew Management India Private Limited.

(b) Foreign currency translation:

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

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Notes to Interim Consolidated Financial Statements

(Unaudited)

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

Three and nine months ended September 30, 2012

2. Significant accounting policies (continued):

(c) Goodwill:

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

(d) Comparative information:

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

3. Acquisition of Seaspan Management Services Limited:

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

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

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

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

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

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Notes to Interim Consolidated Financial Statements

(Unaudited)

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

Three and nine months ended September 30, 2012

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

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

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

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

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

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

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

(a) Pro forma information:

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

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Notes to Interim Consolidated Financial Statements

(Unaudited)

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

Three and nine months ended September 30, 2012

4. Related party transactions:

Prior to the acquisition of the Manager on January 27, 2012, the ultimate beneficial owners of the Manager also directly and indirectly owned common shares, or common shares and preferred shares, of the Company.

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

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

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

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

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

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Notes to Interim Consolidated Financial Statements

(Unaudited)

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

Three and nine months ended September 30, 2012

4. Related party transactions (continued):

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

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

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

5. Vessels:

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

December 31, 2011