

Seaspan CORP  
Form 424B5  
December 10, 2012  
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Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-168938

**PROSPECTUS SUPPLEMENT**

(To Prospectus dated August 19, 2010)

**2,700,000 Shares**

**Seaspan Corporation**

**7.95% Series D Cumulative Redeemable Perpetual  
Preferred Shares  
(Liquidation Preference \$25 Per Share)**

We are offering 2,700,000 of our 7.95% Series D Cumulative Redeemable Perpetual Preferred Shares, par value \$0.01 per share, liquidation preference \$25.00 per share (the Series D Preferred Shares).

Dividends on the Series D Preferred Shares are cumulative from the date of original issue and will be payable quarterly in arrears on the 30th day of January, April, July and October of each year, when, as and if declared by our board of directors. The initial dividend on the Series D Preferred Shares offered hereby will be payable on January 30, 2013. Dividends will be payable out of amounts legally available therefor at an initial rate equal to 7.95% per annum of the stated liquidation preference.

At any time on or after January 30, 2018, the Series D Preferred Shares may be redeemed, in whole or in part, out of amounts legally available therefor, at a redemption price of \$25.00 per share plus an amount equal to all accumulated and unpaid dividends thereon to the date of redemption, whether or not declared.

We intend to apply to have the Series D Preferred Shares listed on the New York Stock Exchange. Currently, there is no public market for the Series D Preferred Shares.

**Investing in our Series D Preferred Shares involves a high degree of risk. Our Series D Preferred Shares have not been rated. Please read Risk Factors beginning on page S-18 of this prospectus supplement and page 5 of the accompanying base prospectus.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

	<b>PER SHARE</b>	<b>TOTAL</b>
Public Offering Price	\$ 25.00	\$ 67,500,000
Underwriting Discount and Commissions	\$ 0.7875	\$ 2,126,250
Proceeds to Us (Before Expenses)	\$ 24.2125	\$ 65,373,750

Delivery of the Series D Preferred Shares is expected to be made in book-entry form through the facilities of The Depository Trust Company on or about December 13, 2012. We have granted the underwriters an option for a period of 30 days to purchase an additional 405,000 shares of our Series D Preferred Shares. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by us will be \$2,445,188, and total proceeds to us before expenses will be \$75,179,812.

*Joint Book-Running Managers*

**Jefferies**

**Incapital**

**Credit Suisse**

*Sole Structuring Agent*

*Co-Managers*

**DNB Markets**

**SMBC Nikko**

December 10, 2012

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

**This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying base prospectus, which gives more general information, some of which may not apply to this offering. Generally, when we refer to the prospectus, we are referring to both parts combined. If information in the prospectus supplement conflicts with information in the accompanying base prospectus, you should rely on the information in this prospectus supplement.**

**Any statement made in this prospectus or in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated by reference into this prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.**

**You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of the Series D Preferred Shares in any state or jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus or the information that is incorporated by reference herein is accurate as of any date other than its respective date.**

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**ALTERNATIVE SETTLEMENT DATE**

It is expected that delivery of the Series D Preferred Shares will be made on or about the closing date specified on the cover page of this prospectus supplement, which will be the fifth business day following the date of pricing of the Series D Preferred Shares (this settlement cycle being referred to as "T+5"). Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in three business days, unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Series D Preferred Shares on the initial pricing date of the Series D Preferred Shares or the next succeeding business day will be required, by virtue of the

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fact that the Series D Preferred Shares initially will settle in T+5, to specify alternative settlement arrangements at the time of any such trade to prevent a failed settlement and should consult their own advisor.

**Table of Contents****SUMMARY**

*This summary highlights important information contained elsewhere in this prospectus supplement and the accompanying base prospectus. You should carefully read this prospectus supplement, the accompanying base prospectus and the documents incorporated by reference to understand fully our business and the terms of our Series D Preferred Shares, as well as tax and other considerations that are important to you in making your investment decision. You should consider carefully the Risk Factors section beginning on page S-18 of this prospectus supplement and on page 5 of the accompanying base prospectus to determine whether an investment in our Series D Preferred Shares is appropriate for you. Unless otherwise indicated, all references in this prospectus supplement to dollars and \$ are to, and amounts are presented in, U.S. Dollars, and financial information presented in this prospectus supplement is prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP.*

*Unless we otherwise specify, when used in this prospectus supplement, the terms Seaspan, the Company, we, our and us refer to Seaspan Corporation and its subsidiaries, except that when such terms are used in this prospectus supplement in reference to the Series D Preferred Shares, they refer specifically to Seaspan Corporation. References to our Manager are to Seaspan Management Services Limited and its wholly owned subsidiaries, which provide us with all of our technical, administrative and strategic services. In January 2012, we acquired all of the issued and outstanding share capital of our Manager.*

*References to shipbuilders are as follows:*

**SHIPBUILDER**

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

**REFERENCE**

New Jiangsu  
Jiangsu Xinfu

*References to customers are as follows:*

**CUSTOMER**

China Shipping Container Lines (Asia) Co., Ltd.<sup>(1)</sup>  
Compañia Sud Americana De Vapores S.A.  
COSCO Container Lines Co., Ltd.<sup>(2)</sup>  
Hanjin Shipping Co., Ltd.  
Hapag-Lloyd USA, LLC<sup>(3)</sup>  
Hyundai Merchant Marine Co., Ltd  
Kawasaki Kisen Kaisha Ltd.  
Mediterranean Shipping Company S.A.  
Mitsui O.S.K. Lines, Ltd.  
Yang Ming (UK) Ltd.

**REFERENCE**

CSCL Asia  
CSAV  
COSCON  
Hanjin  
HL USA  
HMM  
K-Line  
MSC  
MOL  
Yang Ming

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

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

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

**Our Company**

We are a leading independent charter owner and manager of containerships, which we charter primarily pursuant to long-term, fixed-rate time charters to major container liner companies. As of November 15, 2012, we operated a fleet of 69 containerships (including eight vessels under long-term leases), and we had entered into contracts for the purchase of an additional three newbuilding containerships, which have scheduled delivery dates through July 2014. Each of our newbuilding vessels will commence operation under long-term, fixed-rate charters upon delivery. The average age of the 69 vessels in our operating fleet was approximately five years as of November 15, 2012.





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Customers for our operating fleet are CSCL Asia, HL USA, HMM, COSCON, CSAV, MOL, K-Line, MSC and Yang Ming. The customer for the additional three newbuilding vessels is Hanjin. Our primary objective is to continue to grow our business through accretive vessel acquisitions as market conditions allow.

We primarily deploy our vessels on long-term, fixed-rate time charters to take advantage of the stable cash flow and high utilization rates that are typically associated with long-term charters. As of November 15, 2012, the charters on the 69 vessels in our operating fleet had an average remaining term of approximately seven years, excluding the effect of charterers' options to extend certain time charters.

In January 2012, we acquired our Manager, which provides us with all of our technical, administrative and strategic services. Our Manager also manages a limited number of vessels for third parties.

**Table of Contents****Our Fleet****Our Current Fleet**

The following table summarizes key facts regarding our 69 operating vessels as of November 15, 2012:

VESSEL NAME	VESSEL CLASS (TEU)	YEAR BUILT	CHARTER START DATE	CHARTERER	LENGTH OF CHARTER	DAILY CHARTER RATE (in thousands)
COSCO Glory	13100	2011	6/10/11	COSCON	12 years	\$55.0
COSCO Pride <sup>(1)</sup>	13100	2011	6/29/11	COSCON	12 years	55.0
COSCO Development	13100	2011	8/10/11	COSCON	12 years	55.0
COSCO Harmony	13100	2011	8/19/11	COSCON	12 years	55.0
COSCO Excellence	13100	2012	3/8/12	COSCON	12 years	55.0
COSCO Faith <sup>(1)</sup>	13100	2012	3/14/12	COSCON	12 years	55.0
COSCO Hope	13100	2012	4/19/12	COSCON	12 years	55.0
COSCO Fortune	13100	2012	4/29/12	COSCON	12 years	55.0
CSCL Zeebrugge	9600	2007	3/15/07	CSCL Asia	12 years	34.0 <sup>(2)</sup>
CSCL Long Beach	9600	2007	7/6/07	CSCL Asia	12 years	34.0 <sup>(2)</sup>
CSCL Oceania	8500	2004	12/4/04	CSCL Asia	12 years + one 3-year option	29.8 <sup>(3)</sup>
CSCL Africa	8500	2005	1/24/05	CSCL Asia	12 years + one 3-year option	29.8 <sup>(3)</sup>
COSCO Japan	8500	2010	3/9/10	COSCON	12 years + three 1-year options	42.9 <sup>(4)</sup>
COSCO Korea	8500	2010	4/5/10	COSCON	12 years + three 1-year options	42.9 <sup>(4)</sup>
COSCO Philippines	8500	2010	4/24/10	COSCON	12 years + three 1-year options	42.9 <sup>(4)</sup>
COSCO Malaysia	8500	2010	5/19/10	COSCON	12 years + three 1-year options	42.9 <sup>(4)</sup>
COSCO Indonesia	8500	2010	7/5/10	COSCON	12 years + three 1-year options	42.9 <sup>(4)</sup>
COSCO Thailand	8500	2010	10/20/10	COSCON	12 years + three 1-year options	42.9 <sup>(4)</sup>
COSCO Prince Rupert	8500	2011	3/21/11	COSCON	12 years + three 1-year options	42.9 <sup>(4)</sup>
Alianca Itapoa <sup>(5)</sup>	8500	2011	4/21/11	COSCON	12 years + three 1-year options	42.9 <sup>(4)</sup>
MOL Emerald	5100	2009	4/30/09	MOL	12 years	28.9
MOL Eminence	5100	2009	8/31/09	MOL	12 years	28.9
MOL Emissary	5100	2009	11/20/09	MOL	12 years	28.9
MOL Empire	5100	2010	1/8/10	MOL	12 years	28.9
MSC Veronique	4800	1989	11/25/11	MSC	5 years	10.0 <sup>(6)</sup>
MSC Manu	4800	1988	11/15/11	MSC	5 years	10.0 <sup>(6)</sup>
MSC Leanne	4800	1989	10/19/11	MSC	5 years	10.0 <sup>(6)</sup>
MSC Carole	4800	1989	10/12/11	MSC	5 years	10.0 <sup>(6)</sup>
Brotonne Bridge <sup>(1)</sup>	4500	2010	10/25/10	K-Line	12 years + two 3-year options	34.3 <sup>(7)</sup>
Brevik Bridge <sup>(1)</sup>	4500	2011	1/25/11	K-Line	12 years + two 3-year options	34.3 <sup>(7)</sup>
Bilbao Bridge <sup>(1)</sup>	4500	2011	1/28/11	K-Line	12 years + two 3-year options	34.3 <sup>(7)</sup>
Berlin Bridge <sup>(1)</sup>	4500	2011	5/9/11	K-Line	12 years + two 3-year options	34.3 <sup>(7)</sup>
Budapest Bridge <sup>(1)</sup>	4500	2011	8/1/11	K-Line	12 years + two 3-year options	34.3 <sup>(7)</sup>
CSAV Licanten <sup>(8)</sup>	4250	2001	7/3/01	CSCL Asia	10 years + one 2-year option	18.3 <sup>(9)</sup>
CSCL Chiwan	4250	2001	9/20/01	CSCL Asia	10 years + one 2-year option	18.3 <sup>(9)</sup>
Seaspan Ningbo <sup>(10)</sup>	4250	2002				
Seaspan Dalian	4250	2002	7/26/12	HMM	Up to 6 months	Short-term rate <sup>(11)</sup>
Seaspan Felixstowe <sup>(10)</sup>	4250	2002				
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

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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

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VESSEL NAME	VESSEL CLASS (TEU)	YEAR BUILT	CHARTER START DATE	CHARTERER	LENGTH OF CHARTER	DAILY CHARTER RATE (in thousands)
New Delhi Express	4250	2005	10/19/05	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	\$18.0 <sup>(13)</sup>
Dubai Express	4250	2006	1/3/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	18.0 <sup>(13)</sup>
Jakarta Express	4250	2006	2/21/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	18.0 <sup>(13)</sup>
Saigon Express	4250	2006	4/6/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	18.0 <sup>(13)</sup>
Lahore Express	4250	2006	7/11/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	18.0 <sup>(13)</sup>
Rio Grande Express	4250	2006	10/20/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	18.0 <sup>(13)</sup>
Santos Express	4250	2006	11/13/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	18.0 <sup>(13)</sup>
Rio de Janeiro Express	4250	2007	3/28/07	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	18.0 <sup>(13)</sup>
Manila Express	4250	2007	5/23/07	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	18.0 <sup>(13)</sup>
CSAV Loncomilla	4250	2009	4/28/09	CSAV	6 years	25.9
CSAV Lumaco	4250	2009	5/14/09	CSAV	6 years	25.9
CSAV Lingue	4250	2010	5/17/10	CSAV	6 years	25.9
CSAV Lebu	4250	2010	6/7/10	CSAV	6 years	25.9
Madinah <sup>(1)</sup>	4250	2009	6/20/12	Yang Ming	Up to 7 months	Short-term rate <sup>(11)</sup>
COSCO Fuzhou	3500	2007	3/27/07	COSCON	12 years	19.0
COSCO Yingkou	3500	2007	7/5/07	COSCON	12 years	19.0
CSCL Panama	2500	2008	5/14/08	CSCL Asia	12 years	16.8 <sup>(14)</sup>
CSCL São Paulo	2500	2008	8/11/08	CSCL Asia	12 years	16.8 <sup>(14)</sup>
CSCL Montevideo	2500	2008	9/6/08	CSCL Asia	12 years	16.8 <sup>(14)</sup>
CSCL Lima	2500	2008	10/15/08	CSCL Asia	12 years	16.8 <sup>(14)</sup>
CSCL Santiago	2500	2008	11/8/08	CSCL Asia	12 years	16.8 <sup>(14)</sup>
CSCL San Jose	2500	2008	12/1/08	CSCL Asia	12 years	16.8 <sup>(14)</sup>
CSCL Callao	2500	2009	4/10/09	CSCL Asia	12 years	16.8 <sup>(14)</sup>
CSCL Manzanillo	2500	2009	9/21/09	CSCL Asia	12 years	16.8 <sup>(14)</sup>
Guayaquil Bridge	2500	2010	3/8/10	K-Line	10 years	17.9
Calicanto Bridge	2500	2010	5/30/10	K-Line	10 years	17.9

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

(2) CSCL Asia has a charter of 12 years with a charter rate of \$34,000 per day, increasing to \$34,500 per day after six years.

(3) CSCL Asia has an initial charter of 12 years with a charter rate of \$29,500 per day for the first six years, \$29,800 per day for the second six years, and \$30,000 per day during the three-year option.

(4) COSCON has an initial charter of 12 years with a charter rate of \$42,900 per day for the initial term and \$43,400 per day for the three one-year options.

(5) The name of the COSCO Vietnam was changed to Alianca Itapoa in March 2012, in connection with a sub-charter from COSCON to Hamburg Süd.

(6) MSC has a bareboat charter of five years with a charter rate of \$10,000 per day, increasing to \$14,500 after two years. MSC has agreed to purchase the vessels for \$5.0 million each at the end of the five-year bareboat charter terms. In addition, we pay a 1.25% commission to a broker on all bareboat charter payments for these charters.

(7) 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.

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- (8) This vessel is on sub-charter from CSCL Asia to CSAV.
- (9) CSCL Asia has an initial charter of 10 years with a charter rate of \$18,000 per day for the first five years, \$18,300 per day for the second five years, and \$19,000 per day for the two-year option. CSCL Asia has exercised its options on the CSAV Licanten and the CSCL Chiwan.
- (10) This vessel currently is idle.
- (11) Given that the term of the time charter is less than one year, the vessel is being chartered at rates applicable to short-term charters.
- (12) For these charters, the initial term was three years, which automatically extends for up to an additional seven years in successive one-year extensions unless HL USA elects to terminate the charters with two years prior written notice. HL USA would have been required to pay a fee of approximately \$8.0 million to terminate a charter at the end of the initial term. The termination fee declines by \$1.0 million per year per vessel in years four through nine. The initial terms of the charters for these vessels have expired, and these charters have automatically extended pursuant to their terms.
- (13) HL USA had an initial charter of three years that automatically extends for up to an additional seven years in successive one-year extensions unless HL USA elects to terminate the charters with two years prior written notice, with a charter rate of \$18,000 per day and \$18,500 per day for the two one-year options.
- (14) CSCL Asia has a charter of 12 years with a charter rate of \$16,750 per day for the first six years, increasing to \$16,900 per day for the second six years.

**New Vessel Contracts**

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

As of November 15, 2012, we have contracted to purchase three additional newbuilding containerships, which have scheduled delivery dates through July 2014. These three newbuilding vessels consist of the following:

VESSEL	VESSEL~CLASS (TEU)	LENGTH OF TIME CHARTER <sup>(1)</sup>	CHARTERER	SCHEDULED DELIVERY DATE	SHIPBUILDER
Hull No. 983	10000	10 years + one 2-year option	Hanjin	2014	New Jiangsu
Hull No. 985	10000	10 years + one 2-year option	Hanjin	2014	Jiangsu Xinfu
Hull No. 993	10000	10 years + one 2-year option	Hanjin	2014	New Jiangsu

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

The following chart indicates the estimated number of vessels in our fleet based on scheduled delivery dates as of November 15, 2012.

	YEAR ENDING DECEMBER 31, SCHEDULED		
	2012	2013	2014
Deliveries			3
Operating Vessels	69	69	72
<b>Approximate Total Capacity (TEU)</b>	<b>405,100</b>	<b>405,100</b>	<b>435,100</b>

**Market Opportunity**

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We believe that there is an opportunity for shipowners with access to capital to acquire vessels at attractive prices and employ them in a manner that will generate attractive returns on capital and is accretive to cash flow. Due to financial constraints of shipowners and the decrease in global trade, few orders for newbuilding containerships were placed in recent years and there is a limited amount of vessel capacity scheduled to enter the market after 2013.

We intend to continue to expand our fleet primarily through entering into newbuilding contracts with shipyards, but believe that there will also be select opportunities to acquire existing or newbuilding vessels from other shipowners, shipbuilders due to defaulting purchasers under construction contracts, or banks and other lessors

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that may acquire vessels upon borrower or lessee defaults. We believe we are well positioned to take advantage of current market opportunities. We believe that we will be able to fund the remaining payments for the three containerships that we have contracted to purchase through the availability under our current credit facilities. We believe we will be able to use our existing debt capacity and current cash balances (exclusive of amounts committed to finance the remaining payments on the three vessels we have agreed to purchase), to fund additional growth beyond our contracted fleet.

We may seek to undertake additional acquisitions of quality newbuilding or secondhand vessels through asset or business acquisitions, and we regularly consider potential opportunities. In evaluating these opportunities, we consider, among other things, the size of the vessels and the tenor of the related time charters relative to those in our existing fleet. We anticipate that we would fund the purchase price for any secondhand vessels we may acquire primarily through the assumption of debt, with the balance funded through borrowings under our existing credit facilities, cash, other financings or a combination thereof. There can be no assurance that we will be able to acquire any of the containerships opportunities we are evaluating.

### **Our Competitive Strengths**

We believe that we possess a number of competitive strengths that will allow us to capitalize on the opportunities in the containership industry, including the following:

- n *Scale, diversity and high quality of our fleet.* We are one of the largest independent charter owners and managers of containerships and believe that the size of our fleet appeals to our customers and provides us cost savings through volume purchases and leverage in negotiating newbuilding contracts and accessing shipyard berths. Our operating fleet of 69 containerships had an average age of approximately five years as of November 15, 2012, which is significantly below the industry average of approximately 11 years. Our three newbuilding vessels also will be subject to our high standards for design, construction quality and maintenance. The vessels in our fleet range in size from 2500 TEU to 13100 TEU, and our 13100 TEU containerships are among the largest sized containerships in operation.
- n *Strong, long-term relationships with high-quality customers, including leading Asian container liners.* We have developed strong relationships with our customers, which include leading container liner companies. We believe we are the largest provider of containerships to China, and anticipate that Asian demand for containerships will continue to rebound and grow following the recent economic downturn. We attribute the strength of our customer relationships in part to our consistent operational quality, customer oriented service and historical average utilization of over 99% since our initial public offering in 2005.
- n *Enhanced stability of cash flows through long-term, fixed-rate time charters.* Our vessels are primarily subject to long-term, fixed-rate time charters, which had an average remaining term of approximately seven years as of November 15, 2012. As a result, substantially all of our revenue is protected from the volatility of spot rates and short-term charters. To further promote cash flow stability, we have primarily placed newbuilding orders and purchased secondhand vessels when we have concurrently entered into long-term time charters with our customers. As of November 15, 2012, and excluding any extensions of our time charters, we had approximately \$5.8 billion of contracted future revenue under existing fixed-rate and bareboat time charters, including approximately \$0.5 billion attributable to time charters for the remaining three newbuilding containerships that we have contracted to purchase.
- n *Proven ability to source capital for growth.* Since our initial public offering in 2005, we have successfully accessed capital to grow our fleet. Including our initial public offering, we have raised approximately \$2.2 billion in public and private issuances of equity securities. In addition, we have secured credit and lease facilities with aggregate outstanding borrowings and commitments of \$3.8 billion as of September 30, 2012. We also accessed capital during the recent economic downturn, including raising preferred share equity and entering into sale-leaseback financings. We



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believe we will be able to use our existing debt capacity and current cash balances (exclusive of amounts committed to finance the remaining payments on the three vessels we have agreed to purchase), to fund additional growth beyond our contracted fleet. We intend to continue to access existing capital, and to seek new sources of capital, to cost-effectively maintain and grow our fleet over the long term.

- n *Significant delivered fleet growth.* We have significantly grown our fleet since our initial public offering in August 2005. At that time, we had an operating fleet of 10 vessels with another 13 vessels on order, aggregating 116,950 TEU. As of November 15, 2012, we had 69 vessels in operation and three newbuilding vessels on order, aggregating 435,100 TEU, an increase since our initial public offering of 272.0% in TEU capacity. The aggregate capacity of the three newbuilding vessels, with scheduled delivery dates through July 2014, represents over 7.4% of the aggregate capacity of our vessels currently in operation. We believe that our longstanding relationships with key constituents in the containership industry, including container liner companies, shipbuilders and shipping banks, as well as our affiliation with Greater China Intermodal Investments LLC (an investment vehicle established by an affiliate of global alternative asset manager The Carlyle Group), or the Vehicle, in which we hold approximately 11.0% ownership interest, will enable us to continue sourcing newbuilding and secondhand vessel acquisition opportunities at terms attractive to us.
  
- n *Experienced management.* Together our chief executive officer, chief operating officer and chief financial officer have over 60 years of professional experience in the shipping industry, and they have experience managing shipping companies through multiple economic cycles. The members of our management team have prior experience with many companies in the international ship management industry, such as China Merchants Group, Neptune Orient Lines, APL Limited, Safmarine Container Lines and Columbia Ship Management, and provide expertise across commercial, technical, financial and other functional management areas of our business. The acquisition of our Manager in January 2012 provides us direct control over these functions.

**Our Business Strategies**

We seek to continue to expand our business and increase our cash flow by employing the following business strategies:

- n *Pursuing long-term, fixed-rate charters.* We intend to continue to primarily employ our vessels under long-term, fixed-rate charters, which contribute to the stability of our cash flows. In addition, container liner companies typically employ long-term charters for strategic expansion into major trade routes, while using spot charters for shorter term discretionary needs. To the extent container liner companies expand their services into major trade routes, we believe we are well positioned to participate in their growth.
  
- n *Expanding and diversifying our customer relationships.* Since our initial public offering, we have increased our customer base from two to ten customers and have expanded our revenue from existing customers. We intend to continue to expand our existing customer relationships and to add new customers to the extent container liner companies increase their use of chartered-in vessels to add capacity in their existing trade routes and establish new trade routes. We believe that we will benefit from the expected growth of worldwide container shipping demand, especially in certain markets that we believe have high growth potential, such as Asia, where we have strong customer relationships. We also believe that our experience in working with container liners to provide ship design, construction supervision and chartering services will improve our ability to secure new customers.
  
- n *Actively acquiring newbuilding and secondhand vessels.* We have increased, and intend to further increase, the size of our fleet through selective acquisitions of new and secondhand containerships that we believe will be accretive to our cash flow. We believe that entering into newbuilding contracts will continue our long-term fleet growth and provide modern vessels to our customers. In addition, we intend to continue to selectively consider any nearer-term growth opportunities to acquire high-quality

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secondhand vessels, primarily either with existing long-term charters or where we can enter into long-term charters concurrently with the acquisitions. We also intend to consider appropriate (a) partnering opportunities that would allow us to seek to capitalize on opportunities in the newbuilding and secondhand markets with more modest investments, and (b) business acquisitions, as well as the potential sale of any older vessels in our fleet as part of fleet renewal.

- n *Maintaining efficient capital structure.* We intend to pursue a financial strategy that aims to preserve our financial flexibility and achieve a low cost of capital so that we may take advantage of acquisition and expansion opportunities in the future while also meeting our existing obligations.

An investment in our Series D Preferred Shares involves risks. Our growth depends on our ability to make accretive vessel acquisitions, expand existing and develop new relationships with charterers and obtain new charters. Substantial competition may hamper our business strategy. Our growth also depends upon continued growth in demand for containerships. A reduction in demand for containerships, increased competition or an inability to make accretive vessel acquisitions may lead to reductions and volatility in charter hire rates and profitability. In addition, we may be unable to realize expected benefits from acquisitions, and implementing our growth strategy through acquisitions may harm our business, financial condition, operating results and ability to pay dividends. Before investing in our Series D Preferred Shares, you should consider carefully the factors set forth in the section of this prospectus entitled *Risk Factors* beginning on page S-18 of this prospectus supplement and on page 5 of the accompanying base prospectus.

**Recent Developments**

***Anticipated Newbuilding Order and Vessel Acquisition***

We are in negotiations for the construction of two 10000 TEU newbuilding vessels by shipbuilders New Jiangsu and Jiangsu Xinfu and for the chartering of these newbuilding vessels to a leading container liner company under anticipated eight- to ten-year, fixed-rate time charters upon delivery. If the transaction is completed, we anticipate that the newbuilding vessels would be delivered in 2014 and would be constructed using our fuel efficient New Panamax SAVER design.

As part of the anticipated transaction, we are also in negotiations to purchase two existing 4600 TEU vessels, for delivery in the second half of 2013, from the same liner company that would charter the two newbuilding vessels, with the vessels to be chartered back to the liner company under two- to three-year, fixed-rate time charters.

These two newbuilding and two existing vessels would represent our anticipated portion of an overall transaction with the liner company involving four newbuilding and four existing vessels, which transaction would be subject to our right of first refusal agreement with the Vehicle and Blue Water Commerce LLC. We would supervise the construction of all four newbuilding vessels and manage all eight newbuilding and existing vessels.

The potential transaction is subject to completion of negotiations and definitive documentation with the shipyards, the liner company and the Vehicle. The potential transaction may not be completed on the terms described above, if at all.

***Amended and Restated Employment Agreement with CEO Gerry Wang***

We and our chief executive officer, Gerry Wang, are entering into an amended and restated employment agreement, which agreement supersedes the employment agreement we entered into with Mr. Wang in March 2011 in connection with our investment in the Vehicle. The existing employment agreement between Mr. Wang and Seaspan Ship Management Ltd., or SSML, under which Mr. Wang is paid \$600,000 annually, is being terminated, and the fee under our transaction services agreement with Mr. Wang that will apply following any termination of employment through March 31, 2015 is being decreased from 1.5% to 1.25% per transaction. The primary changes in the amended employment arrangement are the extension of Mr. Wang's employment term with us, the granting to Mr. Wang of stock appreciation rights, or SARs, with respect to our common shares, and the termination of the SSML employment agreement.

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Pursuant to the amended employment agreement, the term of Mr. Wang's employment with us is extended from January 1, 2013 until the termination of our right of first refusal with the Vehicle, which is scheduled to expire on March 31, 2015, unless earlier terminated. Mr. Wang's aggregate compensation under the amended agreement with us is the same as that under his existing employment arrangements, other than the SARs grant and termination of his compensation under the SSML employment agreement.

In connection with the amended and restated employment agreement, we granted to Mr. Wang an award of SARs, which vest and become exercisable in three tranches as set forth below 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 as set forth below. 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.

	<b>Number Of Shares</b>	<b>Base Price</b>	<b>Expiration Date</b>
Tranche 1	1,846,154	\$ 21.50	December 7, 2015
Tranche 2	1,898,734	\$ 24.00	December 7, 2016
Tranche 3	1,929,260	\$ 26.50	December 7, 2017
Total:	5,674,148		

We believe we will recognize the compensation expense relating to the SARs prior to expiration of the term of Mr. Wang's employment under the amended employment agreement.

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 will 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.

For additional information about our employment arrangements with Mr. Wang, please read *Certain Relationships and Related Party Transactions*, *Employment Agreement and Other Related Agreements with Gerry Wang*.

***Proposed SAR Grants to Other Members of Senior Management***

The Compensation Committee of our board of directors also anticipates making SAR grants in early 2013 to certain members of senior management other than Mr. Wang. SARs equal in number to 1/3 of the total SARs granted to Mr. Wang would be granted in the aggregate to the designated members of senior management. The Compensation Committee would determine the members of senior management to receive SARs and the amount of individual SAR awards based on recommendations from Mr. Wang and Kyle R. Washington, co-chairman of the board of directors. The Compensation Committee anticipates that the SARs would have terms similar to those granted to Mr. Wang, including grants in three tranches and similar vesting provisions, base prices and expiration dates. However, the period during which SAR recipients would agree to retain ownership of 50% of the net after-tax number of common shares received upon exercise of the SARs would be extended until the later of the fifth anniversary of the grant date and 120 days after the exercise date with respect to such common shares.

The proposed grants of SARs to members of our senior management remain subject to final approval by the Compensation Committee of our board of directors. These grants may not be made on the terms described above, if at all.

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**Corporate Information**

We are a Marshall Islands corporation incorporated on May 3, 2005. We maintain our principal executive offices at Unit 2, 7<sup>th</sup> Floor, Bupa Centre, 141 Connaught Road West, Hong Kong, China. Our telephone number is (852) 2540-1686. We maintain a website at [www.seaspacorp.com](http://www.seaspacorp.com). The information on our website is not part of this prospectus, and you should rely only on the information contained in this prospectus and the documents we incorporate by reference herein when making a decision as to whether to invest in the Series D Preferred Shares.

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**THE OFFERING**

<b>Issuer</b>	Seaspan Corporation
<b>Securities Offered</b>	2,700,000 of our 7.95% Series D Cumulative Redeemable Perpetual Preferred Shares, par value \$0.01 per share, liquidation preference \$25.00 per share, plus up to an additional 405,000 shares if the underwriters exercise their option to purchase additional shares in full.  For a detailed description of the Series D Preferred Shares, please read Description of Series D Preferred Shares.
<b>Price per Share</b>	\$25.00
<b>Conversion; Exchange and Preemptive Rights</b>	The Series D Preferred Shares will not have any conversion or exchange rights or be subject to preemptive rights.
<b>Dividends</b>	Dividends on Series D Preferred Shares will accrue and be cumulative from the date that the Series D Preferred Shares are originally issued and will be payable on each Dividend Payment Date (as defined below) when, as and if declared by our board of directors out of legally available funds for such purpose.
<b>Dividend Payment Dates</b>	January 30, April 30, July 30 and October 30, commencing January 30, 2013 (each, a Dividend Payment Date).
<b>Dividend Rate</b>	The dividend rate for the Series D Preferred Shares will be 7.95% per annum per \$25.00 of liquidation preference per share (equal to \$1.9875 per share).
<b>Ranking</b>	The Series D Preferred Shares will represent perpetual equity interests in us and, unlike our indebtedness, will not give rise to a claim for payment of a principal amount at a particular date. The Series D Preferred Shares will rank: <ul style="list-style-type: none"> <li>n senior to all classes of our common shares (which currently consist of the Class A common shares) and to each other class or series of capital stock established after the original issue date of the Series D Preferred Shares that is not expressly made senior to or on parity with the Series D Preferred Shares as to the payment of dividends and amounts payable upon liquidation, dissolution or winding up, whether voluntary or involuntary, or Junior Securities;</li> <li>n <i>pari passu</i> with our existing Series C Preferred Shares and any other class or series of capital stock established after the original issue date of the Series D Preferred</li> </ul>

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Shares that is not expressly subordinated or senior to the Series D Preferred Shares as to the payment of dividends and amounts payable upon liquidation, dissolution or winding up, whether voluntary or involuntary, or Parity Securities; and

- n junior to all of our indebtedness and other liabilities with respect to assets available to satisfy claims against us and our Series A

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Preferred Shares and each other class or series of capital stock expressly made senior to the Series D Preferred Shares as to the payment of dividends and amounts payable upon liquidation, dissolution or winding up, whether voluntary or involuntary, or Senior Securities.

No dividend may be declared or paid or set apart for payment on any Junior Securities (other than a dividend payable solely in shares of Junior Securities) unless (a) full cumulative dividends have been or contemporaneously are being paid or provided for on all outstanding Series D Preferred Shares and any Parity Securities (including the Series C Preferred Shares) through the most recent respective dividend payment dates and (b) we are in compliance with the Net Worth to Preferred Stock Ratio described in

Description of Series D Preferred Shares Net Worth Covenant. Accumulated dividends in arrears for any past dividend period may be declared by our board of directors and paid on any date fixed by our board of directors, whether or not a Dividend Payment Date, to holders of the Series D Preferred Shares on the record date for such payment, which may not be more than 60 days, nor less than 15 days, before such payment date. Subject to the next succeeding sentence, if all accumulated dividends in arrears on all outstanding Series D Shares and any Parity Securities (including the Series C Preferred Shares) have not been declared and paid, or sufficient funds for the payment thereof have not been set apart, payment of accumulated dividends in arrears will be made in order of their respective dividend payment dates, commencing with the earliest. If less than all dividends payable with respect to all Series D Preferred Shares and any Parity Securities (including the Series C Preferred Shares) are paid, any partial payment will be made pro rata with respect to the Series D Preferred Shares and any Parity Securities (including the Series C Preferred Shares) entitled to a dividend payment at such time in proportion to the aggregate amounts remaining due in respect of such shares at such time. Holders of the Series D Preferred Shares will not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends.

**Optional Redemption**

At any time on or after January 30, 2018, we may redeem, in whole or in part, the Series D Preferred Shares at a redemption price of \$25.00 per share plus an amount equal to all accumulated and unpaid dividends thereon to the date of redemption, whether or not declared. Any such redemption would be effected only out of funds legally available for such purpose. We must provide not less than 15 days and not more than 60 days written notice of any such redemption.

**Voting Rights**

Holders of the Series D Preferred Shares generally have no voting rights. However, if and whenever dividends payable on the Series D Preferred Shares are in arrears for six or more quarterly periods, whether or not consecutive, holders of Series D Preferred Shares (voting together as a class with all other classes or series of Parity Securities upon which like voting rights have been conferred and are

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exercisable, including holders of our Series C Preferred Shares) will be entitled to elect one additional director to serve on our board of directors, and the size of our board of directors will be increased as needed to accommodate such change (unless the size of our board of directors already has been increased by reason of the election of a director by holders of Parity Securities upon which like voting rights have been conferred and with which the Series D Preferred Shares voted as a class for the election of such director). The right of such holders of Series D Preferred Shares to elect a member of our board of directors will continue until such time as all accumulated and unpaid dividends on the Series D Preferred Shares have been paid in full.

Unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series D Preferred Shares, voting as a single class, we may not adopt any amendment to our Amended and Restated Articles of Incorporation, or Articles of Incorporation, that adversely alters the preferences, powers or rights of the Series D Preferred Shares.

In addition, unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series D Preferred Shares, voting as a class together with holders of any other Parity Securities upon which like voting rights have been conferred and are exercisable (including holders of our Series C Preferred Shares), we may not (i) issue any Parity Securities if the cumulative dividends payable on outstanding Series D Preferred Shares are in arrears or (ii) create or issue any Senior Securities, in each case other than Series A Preferred Shares that are (A) authorized for issuance on the initial issue date of the Series D Preferred Shares and (B) issued as dividends in respect of Series A Preferred Shares outstanding on the initial issue date of the Series D Preferred Shares or issued as dividends thereafter.

**Net Worth Covenant**

We will be subject to a covenant with respect to the Series D Preferred Shares requiring that we maintain a Net Worth to Preferred Stock Ratio of at least 1.00. We will not declare, pay or set apart for payment any cash dividend on any Junior Securities unless we are in compliance with such covenant.

For a description of this ratio and for related defined terms, please read Description of Series D Preferred Shares Certain Definitions and Interpretations.

**Fixed Liquidation Price**

In the event of any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, holders of the Series D Preferred Shares will have the right to receive the liquidation preference of \$25.00 per share plus an amount equal to all accumulated and unpaid dividends thereon to the date of payment, whether or not declared, before any payments are made to holders of our common stock or any other Junior Securities.

**Sinking Fund**

The Series D Preferred Shares will not be subject to any sinking fund requirements.



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<b>Use of Proceeds</b>	We intend to use the net proceeds of the sale of the Series D Preferred Shares, which are expected to total approximately \$64.9 million (or approximately \$74.7 million if the underwriters exercise their option to purchase additional shares in full), for general corporate purposes, which may include making vessel acquisitions or investments. Please read Use of Proceeds.
<b>Ratings</b>	The securities will not be rated by any Nationally Recognized Statistical Rating Organization.
<b>Listing</b>	We intend to file an application to list the Series D Preferred Shares on The New York Stock Exchange, or NYSE. If the application is approved, trading of the Series D Preferred Shares on the NYSE is expected to begin within 30 days after the original issue date of the Series D Preferred Shares. The underwriters have advised us that they intend to make a market in the Series D Preferred Shares prior to commencement of any trading on the NYSE. However, the underwriters will have no obligation to do so, and no assurance can be given that a market for the Series D Preferred Shares will develop prior to commencement of trading on the NYSE or, if developed, will be maintained.
<b>Tax Considerations</b>	We believe that all or a portion of the distributions you would receive from us with respect to your Series D Preferred Stock would constitute dividends. Under 2012 U.S. federal income tax law, if you are an individual citizen or resident of the United States or a U.S. estate or trust and meet certain holding period requirements, such dividends would be expected to be taxable as qualified dividend income currently subject to a maximum 15% U.S. federal income tax rate. However, in the absence of legislation extending the term for these preferential tax rates, all dividends received by U.S. shareholders in taxable years beginning after December 31, 2012 will be taxed at graduated tax rates applicable to ordinary income, which are significantly higher. Any portion of your distribution that is not treated as a dividend will be treated first as a non-taxable return of capital to the extent of your tax basis in your Series D Preferred Shares and, thereafter, as capital gain. Please read Material U.S. Federal Income Tax Considerations.
<b>Form</b>	The Series D Preferred Shares will be issued and maintained only in book-entry form registered in the name of the nominee of The Depository Trust Company, or DTC, except under limited circumstances.
<b>Settlement</b>	Delivery of the Series D Preferred Shares offered hereby will be made against payment therefor on or about December 13, 2012.
<b>Risk Factors</b>	An investment in our Series D Preferred Shares involves risks. You should consider carefully the factors set forth in the section of this prospectus entitled Risk Factors beginning on page S-18 of this prospectus supplement and on page 5 of the accompanying base prospectus to determine whether an investment in our Series D Preferred Shares is appropriate for you.

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**SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA**

The following table presents, in each case for the periods and as at the dates indicated, our summary historical financial and operating data.

The summary historical consolidated financial and operating data has been prepared on the following basis:

- n The historical consolidated financial and operating data as at December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009 is derived from our audited consolidated financial statements and the notes thereto, which are contained in our Annual Report on Form 20-F for the year ended December 31, 2011, filed with the Securities and Exchange Commission, or the SEC, on March 26, 2012 and incorporated by reference into this prospectus.
- n The historical consolidated financial data as at December 31, 2009 is derived from our audited consolidated financial statements and the notes thereto, which are contained in our Annual Report on Form 20-F for the year ended December 31, 2010, filed with the SEC on March 30, 2011.
- n The historical consolidated financial and operating data as at and for the nine months ended September 30, 2012 and 2011 is derived from our unaudited interim consolidated financial statements and the notes thereto, which are contained in our Report on Form 6-K filed with the SEC on November 9, 2012, and incorporated by reference into this prospectus.

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The following table should be read together with, and is qualified in its entirety by reference to, our financial statements and the notes thereto incorporated by reference into this prospectus, as well as the notes to the table in the section of this prospectus entitled "Selected Historical Financial and Operating Data." Certain information has been reclassified to conform with the financial statement presentation adopted in 2012.

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	2011	2010	2009	2012	2011
<b>Statements of operations data (in thousands of dollars):</b>					
Revenue	\$ 564,730	\$ 407,211	\$ 285,594	\$ 487,077	\$ 409,493
Operating expenses:					
Ship operating	135,696	108,098	80,162	101,715	99,805
Depreciation and amortization	140,354	101,026	70,554	122,742	102,200
General and administrative	16,818	9,612	7,968	18,139	11,658
Operating lease				2,035	
Loss (gain) on vessels	16,237			(9,773)	8,890
Operating earnings	255,625	188,475	126,910	252,219	186,940
Other expenses (income):					
Interest expense	50,849	28,801	21,194	54,663	34,801
Change in fair value of financial instruments <sup>(1)</sup>	281,027	241,033	(46,450)	132,607	253,525
Interest income	(854)	(60)	(311)	(928)	(471)
Interest income from leasing	(880)			(3,934)	
Undrawn credit facility fee	4,282	4,515	4,641	1,348	3,434
Amortization of deferred charges	3,421	1,933	1,484	5,643	2,568
Equity loss on investment	1,180			217	
Other			1,100	281	
Net earnings (loss)	\$ (83,400)	\$ (87,747)	\$ 145,252	\$ 62,322	\$ (106,917)
<b>Statements of cash flows data (in thousands of dollars):</b>					
Cash flows provided by (used in):					
Operating activities	\$ 239,864	\$ 153,587	\$ 94,576	\$ 223,968	\$ 158,658
Financing activities	832,293	529,680	312,059	(216,176)	831,573
Investing activities	(625,253)	(782,448)	(409,520)	(215,915)	(608,714)
<b>Selected balance sheet data (at period end, in thousands of dollars):</b>					
Cash and cash equivalents	\$ 481,123	\$ 34,219	\$ 133,400	\$ 273,000	\$ 415,736
Current assets	519,998	46,764	146,053	354,891	435,875
Vessels <sup>(2)</sup>	4,697,249	4,210,872	3,485,350	4,904,089	4,810,904
Total assets	5,447,716	4,377,228	3,664,447	5,570,579	5,384,566
Long-term debt	2,914,247	2,396,771	1,883,146	3,023,935	2,943,565
Share capital <sup>(3)</sup>	838	691	679	772	838
Total shareholders' equity	1,183,425	989,736	1,059,566	1,098,194	1,198,530
<b>Other data:</b>					
Number of vessels in operation at period end	65	55	42	69	65

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TEU capacity at period end	352,700	265,300	187,456	405,100	352,700
Fleet utilization rate <sup>(4)</sup>	99.3%	98.7%	99.7%	99.1%	99.2%

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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) Vessel amounts include the net book value of vessels in operation and deposits on vessels under construction.
- (3) For a description of our capital stock, please read Description of Capital Stock.
- (4) Fleet utilization is based on number of operating days divided by the number of ownership days during the period.

**Ratio of Earnings to Fixed Charges and Preference Dividends**

The following table sets forth our ratio of earnings to fixed charges and preference dividends for the periods presented.

	NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,			
	2012	2011	2010 <sup>(3)</sup>	2009 <sup>(3)</sup>	2008 <sup>(3)</sup>	2007 <sup>(3)</sup>
Ratio of earnings to fixed charges and preference dividends <sup>(1)</sup>	1.4	(2)	(2)	2.6	(2)	0.5 <sup>(2)</sup>
Dollar amount (in thousands) of deficiency in earnings to fixed charges and preference dividends		118,738	121,484		261,229	29,904

(1) For purposes of calculating the ratios of earnings to fixed charges and preference dividends:

n earnings consist of pre-tax income from continuing operations prepared under U.S. GAAP (which includes non-cash unrealized gains and losses on derivative financial instruments) plus fixed charges, net of capitalized interest and capitalized amortization of deferred financing fees;

n fixed charges represent interest incurred (whether expensed or capitalized) and amortization of deferred financing costs (whether expensed or capitalized) and accretion of discount; and

n preference dividends refers to the amount of pre-tax earnings that is required to pay the cash dividends on outstanding preference securities and is computed as the amount of (a) the dividend divided by (b) the result of 1 minus the effective income tax rate applicable to continuing operations. The ratio of earnings to fixed charges and preference dividends is a ratio that we are required to present in this prospectus supplement and has been calculated in accordance with SEC rules and regulations. This ratio has no application to our credit and lease facilities and Series D Preferred Shares, and we believe is not a ratio generally used by investors to evaluate our overall operating performance.

(2) The ratio of earnings to fixed charges and preference dividends for this period was less than 1.0x.

(3) Not adjusted by the dollar amount of Series B Preferred Shares redeemed in December 2011.

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**RISK FACTORS**

Any investment in our Series D Preferred Shares involves a high degree of risk. You should consider carefully the information contained in this prospectus supplement, the accompanying base prospectus and the documents incorporated by reference into this document before making an investment in our Series D Preferred Shares. If any of these risks were to occur, our business, financial condition, operating results or ability to pay dividends could be harmed, which may reduce our ability to pay dividends or redeem, and lower the trading price of, our Series D Preferred Shares. You may lose all or part of your investment. In addition, we are subject to the following risks and uncertainties:

**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, financial condition and ability to pay dividends.

*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 pay dividends on or redeem our Series D Preferred Shares.*

We have agreed to acquire an additional three newbuilding containerships with scheduled delivery dates through July 2014. As of November 15, 2012, the total purchase price of the three newbuilding containerships remaining to be paid was estimated to be approximately \$260 million. Our obligation to purchase the three newbuilding 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 for dividends to our shareholders, including holders of our Series D 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. Our failure to obtain funds for our capital expenditures at attractive rates, if at all, could harm our business, results of operations, financial condition and ability to pay dividends.

*Over the long term, we will be required to make substantial capital expenditures to preserve the operating capacity of our fleet, which could negatively affect our ability to pay dividends on or redeem our Series D Preferred Shares.*

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 or maintain our payment of dividends. 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 dividends on or redeem our Series D Preferred Shares.

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***Restrictive covenants in our credit and lease facilities 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 pay dividends.***

To borrow funds under our credit facilities, we must, among other things, meet specified financial covenants. For example, we are prohibited under certain of our existing credit facilities from incurring total borrowings in an amount greater than 65% of our total assets. 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, or in certain circumstances, our customers, 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:

- n except in the case of the lease facilities, 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;
- n incur additional indebtedness under the credit facilities or otherwise, including through the issuance of guarantees;
- n create liens on our assets;
- n sell our vessels without replacing such vessels or prepaying a portion of our loan; or
- n 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. If we do not comply with the restrictions and covenants in our credit or lease facilities, our business, results of operations, financial condition and ability to pay dividends will be harmed.

***We may not be able to timely repay or be able to refinance indebtedness incurred under our credit 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. The earliest maturity date of our credit facilities is 2015 and we intend to refinance amounts drawn under our existing or future credit facilities with cash from operations, replacement facilities, proceeds of future debt or equity offerings, or a combination thereof. 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 pay dividends 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 market value of our vessels, which fluctuates 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.***

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As of September 30, 2012, we had approximately \$3.1 billion outstanding under our credit facilities and lease obligations of approximately \$661.5 million. These amounts outstanding under our credit facilities and our lease obligations will further increase following the completion of our acquisition of the three newbuilding containerships that we have contracted to purchase. Our level of debt and vessel lease obligations could have important consequences to us, including the following:

- n 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;

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- n 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;
- n our debt level could make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our business or the economy generally; and
- n 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 in recent years. The debt and equity capital markets were exceedingly distressed, and it was difficult generally to obtain financing and the cost of any available financing increased significantly. 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, financial condition and ability to pay dividends.

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

Our current vessels are, and we intend 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 will 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 recent financial and economic crises, there occurred a significant decline in the credit markets and the availability of credit. 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 the last few years 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, financial condition and ability to pay dividends.

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



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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, financial condition and ability to pay dividends.

*We will be paying all costs for the three 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 refund 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 one year. 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 generally is about half of the total vessel purchase price. We have entered into long-term credit facilities to partially fund the construction of these vessels. 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, financial condition and ability to pay dividends.

*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 September 30, 2012, the number of vessels in our operating fleet that were chartered to our then 11 customers and the percentage of our total containership revenue attributable to the charters with such customers for the nine months ended September 30, 2012:

CUSTOMER	NUMBER OF VESSELS IN OUR OPERATING FLEET CHARTERED TO SUCH CUSTOMER	PERCENTAGE OF TOTAL REVENUE FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012
CSCL Asia	20	23.8%
COSCON	18	42.1%
K-Line	7	11.7%
Other	24	22.4%
Total	69	100.0%

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.

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

- n the customer fails to make charter payments because of its financial inability, disagreements with us, defaults on a payment or otherwise;

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- 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 recurrence of the significant financial and economic disruption of the last few years 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, financial condition and ability to pay dividends.

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***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. Containership charter rates have fluctuated significantly during the last five years, including significant declines in the second half of 2011. In the future, rates will continue to fluctuate. Fluctuations in containership charter rates result from changes in the supply and demand for vessel capacity 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 supply and demand for products shipped in containers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

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

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

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

- n the number of newbuilding orders and deliveries;
- n the extent of newbuilding vessel deferrals;
- n the scrapping rate of containerships;

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

Our ability to recharter 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. Two of our vessels are currently idle and the existing time charters for four of our vessels will expire (excluding options to extend) before 2014. If charter rates are low when our existing time charters expire, we may be required to recharter 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 idle. 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.

***The majority of our vessels are chartered to Chinese customers and 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, financial condition and ability to pay dividends.***

As of November 15, 2012, a total of 19 of the 72 vessels in our current or contracted fleet are chartered to CSCL Asia, and 18 vessels are or will be chartered to COSCON. CSCL Asia and COSCON are subsidiaries of Chinese companies. Our vessels that are chartered to Chinese customers and our three 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

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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 ability to pay dividends.***

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, financial condition and ability to pay dividends.

***Adverse economic conditions globally, and 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.***

The global economy recently experienced disruption and volatility following adverse changes in global capital markets. 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, financial condition, results of operations and ability to pay dividends.

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, which has increased the demand for shipping. Like the rest of the world, however, China recently experienced slowed economic growth and this trend could continue or return. Additionally, the European Union and certain of its member states are facing significant economic and political challenges. Our business, results of operations, financial condition and ability to pay dividends will likely be harmed by any significant economic downturn in the Asia Pacific region, including China, or in the European Union or the United States.

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*Our growth and our ability to recharter 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 recharter our existing vessels following the expiration of their current long-term time charters to the extent we retain those vessels in our fleet. Two of our vessels are currently idle and the existing time charters for four of our vessels will expire (excluding options to extend) before 2014. 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:

- n shipping industry relationships and reputation for customer service and safety;
- n container shipping experience and quality of ship operations, including cost effectiveness;
- n quality and experience of seafaring crew;
- n the ability to finance containerships at competitive rates and the shipowner's financial stability generally;
- n relationships with shipyards and the ability to get suitable berths;
- n construction management experience, including the ability to obtain on-time delivery of new ships according to customer specifications;
- n willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and
- n 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 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 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 to develop relationships with new customers on a profitable basis, if at all, which would harm our business, results of operations, financial condition and ability to pay dividends.

*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 spot or short-term 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 containership 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.

***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, financial condition and ability to pay dividends.***

Our growth strategy includes selectively acquiring new containerships, existing containerships, containership-related assets and containership business 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.

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Any acquisition of or investment in a vessel or business, including our January 2012 acquisition of our Manager, may not be profitable to us at or after the time we acquire or make it 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:

- n fail to realize anticipated benefits, such as new customer relationships, cost savings or cash flow enhancements;
- n be unable to hire, train or retain qualified shore and seafaring personnel to manage and operate our growing business and fleet;
- n decrease our liquidity by using a significant portion of our available cash or borrowing capacity to finance acquisitions or investments;
- n incur or assume unanticipated liabilities, losses or costs associated with the business or vessels acquired;
- n have difficulties achieving internal controls effectiveness and integrating the acquired business into our internal controls framework;
- n incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges; or
- n not be able to service our debt obligations or pay dividends.

***We have not completed our assessment of the effectiveness of the Manager's internal controls over financial reporting.***

We are in the process of assessing the internal controls over financial reporting of the Manager, which we acquired in January 2012. Accordingly, we have not yet determined whether such internal controls are effective or if there exist significant deficiencies or material weaknesses in such internal controls. Any such deficiencies or weaknesses could contribute to harm to our business, results of operations, financial condition and ability to pay dividends.

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

International and U.S. accounting standard-setting organizations have proposed the elimination of operating leases. The proposals are expected to be finalized in late 2013 and implemented in 2015 or later. If the proposals are enacted, they would have the effect of bringing most off-balance sheet leases onto a lessee's balance sheet as liabilities. This proposed 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.

***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:

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

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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, financial condition and ability to pay dividends.

***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. 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, financial condition and ability to pay dividends.

***Terrorist attacks and international hostilities could harm our business, results of operations, financial condition and ability to pay dividends.***

Terrorist attacks such as the attacks on the United States on September 11, 2001, and the continuing response of the United States 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 South Korea, 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, and our ability to pay dividends. In addition, terrorist attacks targeted at sea vessels may in the future also negatively affect our operations and financial condition and directly affect our containerhips 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, financial condition and ability to pay dividends.

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

International containerhip 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.

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Since the events of September 11, 2001, 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, financial condition and ability to pay dividends.

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

As of November 1, 2012, newbuilding containerships with an aggregate capacity of 3.5 million TEUs, representing approximately 21.9% of the total 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. If such a reduction occurs when we seek to charter newbuilding vessels, our growth opportunities may be diminished. If such a reduction occurs upon the expiration or termination of our containerships' current time charters, we may only be able to recharter our containerships for reduced rates or unprofitable rates or we may not be able to recharter our containerships at all.

***Depending on the outcome of a government 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 European Union 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. 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, financial condition and ability to pay dividends.

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

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

- n prevailing economic conditions in the market in which the containership trades;
- n a substantial or extended decline in world trade;
- n increases in the supply of containership capacity; and
- n 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, financial condition and ability to pay dividends.

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

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for new loans. This could harm our business, results of operations, financial condition and ability to pay dividends.

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***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 and ballast water management. 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, financial condition and ability to pay dividends.

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, financial condition and ability to pay dividends.

***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, financial condition and ability to pay dividends.

***Delays in deliveries of our newbuilding containerships could harm our business, results of operations, financial condition and ability to pay dividends.***

We are currently under contract to purchase three newbuilding vessels, which are scheduled to be delivered at various times through July 2014. The delivery of these vessels, or any other newbuildings 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 time charter. Any of such events could harm our business, results of operations, financial condition and ability to pay dividends.

The delivery of the newbuildings could be delayed because of:

- n work stoppages, other labor disturbances or other events that disrupt any of the shipyards' operations;
- n quality or engineering problems;
- n changes in governmental regulations or maritime self-regulatory organization standards;

- n bankruptcy or other financial crisis of any of the shipyards;

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- n a backlog of orders at any of the shipyards;
- n hostilities, or political or economic disturbances in China, where the containerships are being built;
- n weather interference or catastrophic event, such as a major earthquake, fire or tsunami;
- n our requests for changes to the original containership specifications;
- n shortages of or delays in the receipt of necessary construction materials, such as steel;
- n our inability to obtain requisite permits or approvals;
- n a dispute with any of the shipyards;
- n the failure of our banks to provide debt financing; or
- n a disruption to the financial markets.

In addition, each of the shipbuilding contracts for the three newbuilding vessels 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, financial condition and ability to pay dividends.

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

Our Articles of Incorporation currently limit our business to the chartering or rechartering of containerships to others and other related activities, unless otherwise approved by our board of directors and the holders of a majority of our Series A Preferred Shares.

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, financial condition and ability to pay dividends 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 all 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 all 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, financial condition and ability to pay dividends.

***There are greater than normal construction, delivery and operational risks with respect to our New Panamax 10000 and 13100 TEU newbuilding vessels.***

Our eight 13100 TEU newbuilding vessels that have been delivered are some of the first vessels of this type to be built. In addition, we have contracted to purchase three New Panamax 10000 TEU vessels and may order additional vessels of this type in the future. These 10000 TEU vessels will be the first vessels constructed using this new design and the first vessels constructed of this size at this particular shipyard. As such,

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there may exist greater than normal construction, delivery and operational risks associated with these vessels. Deliveries of these vessels could be delayed and problems with operation of these vessels could be encountered, either of which could adversely affect our reputation, the receipt of revenue under time charters for or the operating cost of these vessels, and their future resale value.

***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

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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, financial condition and ability to pay dividends 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, financial condition and ability to pay dividends.

***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, financial condition and ability to pay dividends.

***We may experience greater operating cost volatility as a result of the acquisition of our Manager.***

In January 2012 we acquired our Manager. We believe that the acquisition of our Manager has increased our control over access to the services our Manager provides on a long-term basis. We previously paid fees to our Manager for technical services on a fixed basis, which fees were adjusted every three years. Technical services include managing day-to-day vessel operations, arranging general vessel maintenance, ensuring regulatory compliance and classification society compliance, purchasing stores, supplies, spares and lubricating oil, and attending to all other technical matters necessary to run our fleet. Prior to our acquisition of our Manager, we paid our Manager fixed fees for vessel construction supervision services. As a result of the acquisition of our Manager, our operating costs vary more directly with the actual cost, set by the market, of providing these services for our fleet. Increased costs for technical services or construction supervision services could harm our business, results of operations, financial condition and ability to pay dividends.

***Exposure to currency exchange rate fluctuations may result in fluctuations in our results of operations and financial condition.***

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:

- n renew existing charters upon their expiration;
  
- n obtain new charters;

n successfully interact with shipyards;

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

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

***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 72 vessels. We have also agreed to provide technical management services to third parties, including the Vehicle, 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 there exists a shortage of experienced labor 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, financial condition and ability to pay dividends 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 our director Graham Porter, or the Tiger Member, and the Vehicle 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 the Vehicle. Please read [Certain Relationships and 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 harmed as a result.

***We may not achieve expected benefits from our participation in the Carlyle investment vehicle.***

In March 2011, we agreed to participate in the Vehicle, which invests in containership assets, primarily newbuilding vessels strategic to Greater China. We believe that the combined scale of our business and the Vehicle, 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 the Vehicle than otherwise available to us on our own.

***The Vehicle intends to compete in our markets, and its entry into the containership market may harm our business, results of operations, financial position and ability to pay dividends.***

Carlyle, which controls the Vehicle, is a leading global alternative asset manager. The Vehicle 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

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involvement of Carlyle in the Vehicle and the amount of funds that the Vehicle may invest in containerships could result in the Vehicle 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, 2015, subject to earlier termination. Please read **Certain Relationships and Related Party Transactions** Our Investment in Carlyle Containership-Focused Investment Vehicle **Rights of First Refusal and First Offer Agreements**. Our business, results of operations, financial condition and ability to pay dividends could be harmed to the extent the Vehicle 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 the Vehicle, 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 our director 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 the Vehicle 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 the Vehicle, which would be more restrictive than the rights based on fiduciary duties we otherwise would have relating to such opportunities.

***In order to timely exercise our right of first refusal from the Vehicle, 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 the Vehicle relating to containership acquisition opportunities, we generally must exercise our right of first refusal within 12 business days of receiving a notice from the Vehicle 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, financial condition and ability to pay dividends may be harmed.

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

Our director 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 the Vehicle. Blue Water Commerce, LLC, an affiliate of Dennis R. Washington, or the Washington Member, has an indirect interest in the Tiger Member. As a result, Mr. Porter and the Washington Member will have an indirect interest in incentive distributions received by GC Industrial from the Vehicle. 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. Our chief executive officer, Gerry Wang, is the chairman of the board of managers of the Vehicle. Messrs. Wang and Porter are members of the Vehicle'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 the Vehicle. Kyle R. Washington, co-chairman of our board of directors, is a non-voting member of the Vehicle's transaction committee. In addition, affiliates of Messrs. Wang and Porter provide certain transactional and financing services to the Vehicle, for which they receive compensation.

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

***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 difficult for our shareholders to change the composition of our board of directors in any one year, preventing them from changing the composition of





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management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that shareholders may consider favorable.

These provisions include:

- n authorizing our board of directors to issue blank check preferred shares without shareholder approval;
- n providing for a classified board of directors with staggered, three-year terms;
- n prohibiting cumulative voting in the election of directors;
- n 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;
- n prohibiting shareholder action by written consent unless the written consent is signed by all shareholders entitled to vote on the action;
- n limiting the persons who may call special meetings of shareholders;
- n 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
- n restricting business combinations with interested shareholders.

We have also adopted a shareholder rights plan pursuant to which our board of directors may cause the substantial dilution of the holdings of any person that attempts to acquire us without the board's prior approval.

In addition, holders of our Series A Preferred Shares have the power to vote as a single class to approve certain major corporate changes, including any merger, consolidation, asset sale or other disposition of all or substantially all of our assets. These shareholders could exercise this power to block a change of control that might otherwise be beneficial to holders of our other securities. Please read Description of Capital Stock Preferred Stock Series A Preferred Shares.

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

***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.

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*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.

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**Risks of Investing in the Series D Preferred Shares**

*We may not have sufficient cash from our operations to enable us to pay dividends on or to redeem our Series D Preferred Shares following the payment of expenses.*

We will pay quarterly dividends on our Series D Preferred 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 Series D Preferred Shares. The amount of dividends we can pay or the amount we can use to redeem Series D 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:

- n the rates we obtain from our charters or recharterers and the ability of our customers to perform their obligations under their time charters;
- n the level of our operating costs;
- n 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;
- n delays in the delivery of new vessels and the beginning of payments under charters relating to those ships;
- n prevailing global and regional economic and political conditions;
- n the effect of governmental regulations and maritime self-regulatory organization standards on the conduct of our business;
- n changes in the basis of taxation of our activities in various jurisdictions;
- n our ability to service and refinance our current and future indebtedness;
- n our ability to raise additional debt and equity to satisfy our capital needs; and
- n 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 for dividends on or to redeem our Series D Preferred Shares will not depend solely on our profitability.*

The actual amount of cash we will have available for dividends or to redeem our Series D Preferred Shares also depends on many factors, including, among others:

- n changes in our operating cash flow, capital expenditure requirements, working capital requirements and other cash needs;

- n 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;
  
- n the amount of any reserves established by our board of directors; and
  
- n 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.

***The Series D Preferred Shares represent perpetual equity interests.***

The Series D Preferred Shares represent perpetual equity interests in us and, unlike our indebtedness, will not give rise to a claim for payment of a principal amount at a particular date. As a result, holders of the Series D Preferred Shares may be required to bear the financial risks of an investment in the Series D Preferred Shares for an indefinite period of time. In addition, the Series D Preferred Shares will rank junior to all our indebtedness and other liabilities, and to our Series A Preferred Shares and any other senior securities we may issue in the future with respect to assets available to satisfy claims against us.

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***The Series D Preferred Shares are a new issuance and do not have an established trading market, which may negatively affect their market value and your ability to transfer or sell your shares. In addition, the lack of a fixed redemption date for the Series D Preferred Shares will increase your reliance on the secondary market for liquidity purposes.***

The Series D Preferred Shares are a new issue of securities with no established trading market. In addition, since the securities have no stated maturity date, investors seeking liquidity will be limited to selling their shares in the secondary market absent redemption by us. We intend to apply to list the Series D Preferred Shares on the NYSE, but there can be no assurance that the NYSE will accept the Series D Preferred Shares for listing. Even if the Series D Preferred Shares are approved for listing by the NYSE, an active trading market on the NYSE for the shares may not develop or, even if it develops, may not last, in which case the trading price of the shares of Series D Preferred Shares could be adversely affected and your ability to transfer your shares will be limited. If an active trading market does develop on the NYSE, our Series D Preferred Shares may trade at prices lower than the offering price. The trading price of our Series D Preferred Shares will depend on many factors, including:

- n prevailing interest rates;
- n the market for similar securities;
- n general economic and financial market conditions;
- n our issuance of debt or preferred equity securities; and
- n our financial condition, results of operations and prospects.

We have been advised by the underwriters that they intend to make a market in the shares of our Series D Preferred Shares pending any listing of the shares on the NYSE, but they are not obligated to do so and may discontinue market-making at any time without notice.

***The Series D Preferred Shares have not been rated, and ratings of any other of our securities may affect the trading price of the Series D Preferred Shares.***

We have not sought to obtain a rating for the Series D Preferred Shares, and the shares may never be rated. It is possible, however, that one or more rating agencies might independently determine to assign a rating to the Series D Preferred Shares or that we may elect to obtain a rating of our Series D Preferred Shares in the future. In addition, we may elect to issue other securities for which we may seek to obtain a rating. If any ratings are assigned to the Series D Preferred Shares in the future or if we issue other securities with a rating, such ratings, if they are lower than market expectations or are subsequently lowered or withdrawn, or if ratings for such other securities would imply a lower relative value for the Series D Preferred Shares, could adversely affect the market for, or the market value of, the Series D Preferred Shares. Ratings only reflect the views of the issuing rating agency or agencies and such ratings could at any time be revised downward or withdrawn entirely at the discretion of the issuing rating agency. A rating is not a recommendation to purchase, sell or hold any particular security, including the Series D Preferred Shares. Ratings do not reflect market prices or suitability of a security for a particular investor and any future rating of the Series D Preferred Shares may not reflect all risks related to us and our business, or the structure or market value of the Series D Preferred Shares.

***Our Series D Preferred Shares are subordinated to our debt and lease obligations, and your interests could be diluted by the issuance of additional shares of preferred stock, including additional Series D Preferred Shares, and by other transactions.***

Our Series D Preferred Shares are subordinated to all of our existing and future indebtedness and lease obligations. As of September 30, 2012, we had outstanding indebtedness and lease obligations of approximately \$3.8 billion. Our existing indebtedness restricts, and our future indebtedness may include restrictions on, our ability to pay dividends to preferred shareholders. Our charter currently authorizes the issuance of up to 65 million shares of preferred stock in one or more classes or series. The issuance of additional preferred stock on a parity with or senior to our Series D Preferred Shares would dilute the interests of the holders of our Series D Preferred Shares, and any issuance of preferred stock senior to or on a parity with our Series D Preferred Shares or of additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on our Series D Preferred Shares. No provisions relating to our Series D Preferred Shares protect the holders of

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our Series D Preferred Shares in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, which might adversely affect the holders of our Series D Preferred Shares.

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***The Series D Preferred Shares are subordinated to our Series A Preferred Shares and pari passu with our Series C Preferred Shares.***

Our Series A Preferred Shares rank senior to the Series D Preferred Shares. Accordingly, we must satisfy our obligations to make preferred distributions to the Series A Preferred Shares before we may make distributions to holders of the Series D Preferred Shares. In addition, in the event of our bankruptcy or liquidation, holders of Series A Preferred Shares will generally be entitled to payment of their liquidation preference from our assets before those assets are made available for distribution to holders of the Series D Preferred Shares. As a result, any right that you have to receive any of our assets upon our liquidation or reorganization will be subordinate to the liquidation preference of the Series A Preferred Shares. As of November 15, 2012, the liquidation preference on the outstanding Series A Preferred Shares was approximately \$301.4 million.

Our Series D Preferred Shares rank *pari passu* with our existing Series C Preferred Shares and any other class or series of capital stock established after the original issue date of the Series D Preferred Shares that is not expressly subordinated or senior to the Series D Preferred Shares as to the payment of dividends and amounts payable upon liquidation or reorganization. If less than all dividends payable with respect to the Series D Preferred Shares and any parity securities are paid, any partial payment shall be made pro rata with respect to shares of Series D Preferred Shares and any parity securities entitled to a dividend payment at such time in proportion to the aggregate amounts remaining due in respect of such shares at such time.

***Market interest rates may adversely affect the value of our Series D Preferred Shares.***

One of the factors that will influence the price of our Series D Preferred Shares will be the dividend yield on the Series D Preferred Shares (as a percentage of the price of our Series D Preferred Shares) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of our Series D Preferred Shares to expect a higher dividend yield, and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Accordingly, higher market interest rates could cause the market price of our Series D Preferred Shares to decrease.

***As a holder of Series D Preferred Shares you have extremely limited voting rights.***

Your voting rights as a holder of Series D Preferred Shares will be extremely limited and will be the same as those voting rights conferred upon a holder of Series C Preferred Shares. Our common stock and Series A Preferred Shares are the only classes or series of our stock carrying full voting rights. Holders of the Series D Preferred Shares generally have no voting rights. However, in the event that six quarterly dividends, whether consecutive or not, payable on Series D Preferred Shares or any other parity securities (including the Series C Preferred Shares) are in arrears, the holders of Series D Preferred Shares will have the right, voting together as a class with all other classes or series of parity securities upon which like voting rights have been conferred and are exercisable (including holders of our Series C Preferred Shares), to elect one additional director to serve on our board of directors, and the size of our board of directors will be increased as needed to accommodate such change (unless the size of our board of directors has already been increased by reason of the election of a director by holders of parity securities upon which like voting rights have been conferred and with which the Series D Preferred Shares voted as a class for the election of such director). The right of such holders of Series D Preferred Shares to elect a member of our board of directors will continue until such time as all accumulated and unpaid dividends on the Series D Preferred Shares have been paid in full. Certain other limited protective voting rights described in this prospectus under [Description of Series D Preferred Shares](#) [Voting Rights](#).

***Our ability to pay dividends on and to redeem our Series D Preferred Shares is limited by the requirements of Marshall Islands law.***

Marshall Islands law provides that we may pay dividends on and redeem the Series D 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 or redeem Series D Preferred Shares if we are insolvent or would be rendered insolvent by the payment of such a dividend or the making of such redemption.

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### **Tax Risks**

In addition to the following risk factors, you should read *Business Taxation of the Company*, *Material U.S. Federal Income Tax Considerations and Non-United States Tax Consequences* 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 Series D Preferred 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 (i) at least 75% of its gross income consists of passive income or (ii) 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, and our counsel, Perkins Coie LLP, is of the opinion that we should not be a PFIC based on applicable law, including the Code, legislative history, published revenue rulings and court decisions, and representations we have made to them regarding the composition of our assets, the source of our income and the nature of our activities and other operations following this offering. No assurance can be given, however, that the opinion of Perkins Coie LLP 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, our U.S. shareholders would face adverse tax consequences. For a more comprehensive discussion regarding our status as a PFIC and the tax consequences to U.S. shareholders if we are treated as a PFIC, please read *Material U.S. Federal Income Tax Considerations U.S. Federal Income Taxation of U.S. Holders PFIC Status and Significant Tax Consequences*.

***The preferential tax rates applicable to qualified dividend income expire for tax years beginning after December 31, 2012, and the absence of legislation extending the term would cause our dividends to be taxed at significantly higher ordinary graduated tax rates.***

Certain of our distributions may be treated as qualified dividend income eligible for preferential rates of U.S. federal income tax to individual U.S. shareholders (and certain other U.S. shareholders). In the absence of legislation extending the term for these preferential tax rates, all dividends received by such U.S. shareholders in taxable years beginning after December 31, 2012 will be taxed at graduated tax rates applicable to ordinary income. Please read *Material U.S. Federal Income Tax Considerations U.S. Federal Income Taxation of U.S. Holders Distributions on Our Series D Preferred Shares*.



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*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 [Business 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 [Business Taxation of the Company](#) [Canadian Taxation](#) and [Non-United States Tax Considerations](#) [Canadian Federal Income Tax Considerations](#).

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**FORWARD-LOOKING STATEMENTS**

Our disclosure and analysis in the prospectus 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. 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, potential, 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 prospectus in the section titled Risk Factors. These forward-looking statements represent our estimates and assumptions only as of the date of this prospectus 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 prospectus. These statements include, among others, statements about:

- n future operating or financial results;
- n future growth prospects;
- n our business strategy and other plans and objectives for future operations;
- n our expectations relating to dividend payments and our ability to make such payments;
- n potential acquisitions, vessel financing arrangements and other investments, and our expected benefits from such transactions, including any acquisition opportunities, vessel financing arrangements and related benefits relating to our venture with the Vehicle;
- n our negotiations with our chief executive officer as to his employment arrangements with us;
- n the effects of the acquisition of our Manager on our operations and results;
- n the amount of any adjustment of the purchase price we paid for our Manager and any payments to the former owners of our Manager related to fleet growth;
- n operating expenses, availability of crew, number of off-hire days, dry-docking requirements and insurance costs;
- n general market conditions and shipping market trends, including charter rates and factors affecting supply and demand;
- n our financial condition and liquidity, including our ability to borrow funds under our credit facilities and to obtain additional financing in the future to fund capital expenditures, acquisitions and other general corporate activities;
- n estimated future capital expenditures needed to preserve our capital base;

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- n our expectations about the availability of vessels to purchase, the time that it may take to construct new vessels, the delivery dates of new vessels, the commencement of service of new vessels under long-term time charter contracts or the useful lives of our vessels;
- n our continued ability to enter into primarily long-term, fixed-rate time charters with our customers;
- n our ability to leverage to our advantage our relationships and reputation in the containership industry;
- n changes in governmental rules and regulations or actions taken by regulatory authorities, and the effect on our business of governmental regulations;
- n 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;
- n the economic downturn and crisis in the global financial markets and potential negative effects of any recurrence of such disruptions on our customers' ability to charter our vessels and pay for our services;
- n taxation of our company and of distributions to our shareholders;
- n potential liability from future litigation; and
- n other factors discussed in the section titled "Risk Factors."

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. We make no prediction or statement about the performance of our securities.

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**USE OF PROCEEDS**

We will receive net proceeds of approximately \$64.9 million, or \$74.7 million if the underwriters exercise their option to purchase additional shares of the Series D Preferred Shares in full (in each case after deducting underwriting discounts and estimated offering expenses) from the issuance of Series D Preferred Shares in this offering. We intend to use the net proceeds from this offering for general corporate purposes, which may include making vessel acquisitions or investments.

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**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES AND PREFERENCE DIVIDENDS**

The following table sets forth our ratio of earnings to fixed charges and preference dividends for the periods presented.

	NINE MONTHS ENDED		YEAR ENDED DECEMBER 31,			
	SEPTEMBER 30, 2012	2011	2010 <sup>(3)</sup>	2009 <sup>(3)</sup>	2008 <sup>(3)</sup>	2007 <sup>(3)</sup>
Ratio of earnings to fixed charges and preference dividends <sup>(1)</sup>	1.4	(2)	(2)	2.6	(2)	0.5 <sup>(2)</sup>
Dollar amount (in thousands) of deficiency in earnings to fixed charges and preference dividends		118,738	121,484		261,229	29,904

<sup>(1)</sup> For purposes of calculating the ratios of earnings to fixed charges and preference dividends:

n earnings consist of pre-tax income from continuing operations prepared under U.S. GAAP (which includes non-cash unrealized gains and losses on derivative financial instruments) plus fixed charges, net of capitalized interest and capitalized amortization of deferred financing fees;

n fixed charges represent interest incurred (whether expensed or capitalized) and amortization of deferred financing costs (whether expensed or capitalized) and accretion of discount; and

n preference dividends refers to the amount of pre-tax earnings that is required to pay the cash dividends on outstanding preference securities and is computed as the amount of (a) the dividend divided by (b) the result of 1 minus the effective income tax rate applicable to continuing operations. The ratio of earnings to fixed charges and preference dividends is a ratio that we are required to present in this prospectus supplement and has been calculated in accordance with SEC rules and regulations. This ratio has no application to our credit and lease facilities and Series D Preferred Shares, and we believe is not a ratio generally used by investors to evaluate our overall operating performance.

<sup>(2)</sup> The ratio of earnings to fixed charges and preference dividends for this period was less than 1.0x.

<sup>(3)</sup> Not adjusted by the dollar amount of Series B Preferred Shares redeemed in December 2011.

**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization as of September 30, 2012, and as adjusted as of September 30, 2012 to give effect to the issuance of the Series D Preferred Shares offered hereby and the application of the net proceeds therefrom. Please read "Use of Proceeds."

	<b>SEPTEMBER 30, 2012</b>	
	<b>ACTUAL</b>	<b>AS ADJUSTED</b>
	<b>(Unaudited)</b>	
	<b>(dollars in thousands)</b>	
Cash and cash equivalents	\$ 273,000	\$ 337,874
Long-term debt (including current portion)	\$ 3,097,132	\$ 3,097,132
Other long-term liabilities (including current portion) <sup>(1)</sup>	661,506	661,506
Shareholders' equity:		
Share capital		
Series A Preferred Shares, \$0.01 par value; 315,000 shares authorized; 200,000 shares issued and outstanding		
Series B Preferred Shares, \$0.01 par value; 260,000 shares authorized; no shares issued and outstanding		
Series C Preferred Shares, \$0.01 par value; 40,000,000 shares authorized; 14,000,000 shares issued and outstanding		
Series D Preferred Shares, \$0.01 par value; 20,000,000 shares authorized; no shares issued and outstanding, actual; 2,700,000 shares issued and outstanding, as adjusted		
Class A common shares, par value \$0.01 per share, 200,000,000 shares authorized; 63,009,069 shares issued and outstanding <sup>(2)</sup>		
Class B common shares, par value \$0.01 per share, 25,000,000 shares authorized; no shares issued and outstanding		
Class C common shares, par value \$0.01 per share, 100 shares authorized; no shares issued and outstanding	772	799
Treasury shares	(301)	(301)
Additional paid-in capital	1,775,392	1,840,239
Deficit	(628,889)	(628,889)
Accumulated other comprehensive loss	(48,780)	(48,780)
<b>Total shareholders' equity</b>	<b>1,098,194</b>	<b>1,163,068</b>
<b>Total capitalization</b>	<b>\$ 4,856,832</b>	<b>\$ 4,921,706</b>

<sup>(1)</sup> Other long-term liabilities represent amounts due under non-recourse or limited recourse sale-leaseback arrangements with financial institutions to fund certain operating vessels.

<sup>(2)</sup> Excludes additional shares we will issue in connection with our acquisition of our Manager in January 2012 for certain additional vessels the Manager (or its successor) manages prior to August 15, 2014. Please read "Certain Relationships and Related Party Transactions" Acquisition of Seaspan Management Services Limited.

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**SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA**

The following table presents, in each case for the periods and as at the dates indicated, our selected historical consolidated financial and operating data.

The selected historical consolidated financial and operating data has been prepared on the following basis:

- n The historical consolidated financial and operating data as at December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009 is derived from our audited consolidated financial statements and the notes thereto, which are contained in our Annual Report on Form 20-F for the year ended December 31, 2011, filed with the SEC on March 26, 2012 and incorporated by reference into this prospectus.
  
- n The historical financial and operating data as at December 31, 2009, 2008 and 2007 and for the years ended December 31, 2008 and 2007 is derived from our audited consolidated financial statements and the notes thereto, which are contained in our Annual Reports on Form 20-F for the years ended December 31, 2009 and 2008, filed with the SEC on March 30, 2011 and March 19, 2010, respectively.
  
- n The historical financial and operating data as at and for the nine months ended September 30, 2012 and 2011 is derived from our unaudited interim consolidated financial statements and the notes thereto, which are contained in our Report on Form 6-K filed with the SEC on November 9, 2012, and incorporated by reference into this prospectus.

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The following table should be read together with, and is qualified in its entirety by reference to, our financial statements and historical predecessor combined financial statements, and the notes thereto incorporated by reference into this prospectus. Certain information has been reclassified to conform to the financial statement presentation adopted in 2012.

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	2011	2010	2009	2008	2007	2012	2011
<b>Statements of operations data (in thousands of dollars):</b>							
Revenue	\$ 564,730	\$ 407,211	\$ 285,594	\$ 229,405	\$ 199,235	\$ 487,077	\$ 409,493
Operating expenses:							
Ship operating	135,696	108,098	80,162	54,416	46,174	101,715	99,805
Depreciation and amortization	140,354	101,026	70,554	57,975	50,415	122,742	102,200
General and administrative	16,818	9,612	7,968	8,895	6,006	18,139	11,658
Operating lease						2,035	
Loss (gain) on vessels	16,237					(9,773)	8,890
Operating earnings	255,625	188,475	126,910	108,119	96,640	252,219	186,940
Other expenses (income):							
Interest expense	50,849	28,801	21,194	33,035	34,062	54,663	34,801
Change in fair value of financial instruments <sup>(1)</sup>	281,027	241,033	(46,450)	268,575	72,365	132,607	253,525
Interest income	(854)	(60)	(311)	(694)	(4,074)	(928)	(471)
Interest income from leasing	(880)					(3,934)	
Undrawn credit facility fee	4,282	4,515	4,641	5,251	3,057	1,348	3,434
Amortization of deferred charges	3,421	1,933	1,484	1,298	1,003	5,643	2,568
Equity loss on investment	1,180					217	
Financing fee write-off					635		
Other			1,100			281	
Net earnings (loss)	\$ (83,400)	\$ (87,747)	\$ 145,252	\$ (199,346)	\$ (10,408)	\$ 62,322	\$ (106,917)
<b>Statements of cash flows data (in thousands of dollars):</b>							
Cash flows provided by (used in):							
Operating activities	\$ 239,864	\$ 153,587	\$ 94,576	\$ 124,752	\$ 113,168	\$ 223,968	\$ 158,658
Financing activities	832,293	529,680	312,059	523,181	1,022,443	(216,176)	831,573
Investing activities	(625,253)	(782,448)	(409,520)	(634,782)	(1,104,704)	(215,915)	(608,714)
<b>Selected balance sheet data (at period end, in thousands of dollars):</b>							
Cash and cash equivalents	\$ 481,123	\$ 34,219	\$ 133,400	\$ 136,285	\$ 123,134	\$ 273,000	\$ 415,736
Current assets	519,998	46,764	146,053	141,711	130,318	354,891	435,875
Vessels <sup>(2)</sup>	4,697,249	4,210,872	3,485,350	3,126,489	2,424,253	4,904,089	4,810,904
Total assets	5,447,716	4,377,228	3,664,447	3,296,872	2,576,901	5,570,579	5,384,566
Long-term debt	2,914,247	2,396,771	1,883,146	1,721,158	1,339,438	3,023,935	2,943,565
Share capital <sup>(3)</sup>	838	691	679	668	575	772	838
Total shareholders equity	1,183,425	989,736	1,059,566	746,360	862,326	1,098,194	1,198,530
<b>Other data:</b>							
Number of vessels in operation at period end	65	55	42	35	29	69	65
TEU capacity at period end	352,700	265,300	187,456	158,483	143,207	405,100	352,700
Fleet utilization rate <sup>(4)</sup>	99.3%	98.7%	99.7%	99.3%	99.0%	99.1%	99.2%



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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) Vessel amounts include the net book value of vessels in operation and deposits on vessels under construction.
- (3) For a description of our capital stock, please read Description of Capital Stock.
- (4) Fleet utilization is based on number of operating days divided by the number of ownership days during the period.

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**THE INTERNATIONAL CONTAINERSHIP INDUSTRY**

*The information and data contained in this prospectus relating to the international container shipping industry has been provided by Clarkson Research Services Limited, or CRSL, and is taken from CRSL's database and other sources. We do not have any knowledge that the information provided by CRSL is inaccurate in any material respect. CRSL has advised that: (i) some information in CRSL's database is derived from estimates or subjective judgments; (ii) the information in the databases of other maritime data collection agencies may differ from the information in CRSL's database; (iii) whilst CRSL has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures and may accordingly contain errors.*

**Overview of the Container Shipping Market**

Container shipping is responsible for the movement of a wide range of goods between different parts of the world in a unitized form and, since its beginnings in the 1950s, containerization has become an integral part of the global economy. The use of containers in global trade has resulted in considerable production and efficiency gains and has become important to the process of globalization. A wide range of cargoes are transported by container but most notably container transportation is responsible for the shipment of a diverse selection of manufactured and consumer goods. These cargoes are transported by container to end users in all regions of the world, and in particular from key producing and manufacturing regions to end users in the world's largest consumer economies. Participants in the container shipping industry include liner shipping companies, who operate container shipping services and in many instances own containerships, containership owners, often known as charter owners, who own containerships and charter them out to liner companies, and shippers who require the seaborne movement of containerized goods.

**Containership Demand**

The expansion of global container trade is heavily influenced by global economic growth, increases in economic consumption at a global and regional level, and the process of globalization. In 2008, global container trade peaked at 137 million TEU, following an average annual increase in trade of 9.8% in the period 1999-2008. During this period rapid growth in exports from China drove a significant part of the increase in container trade, along with growth in container trade volumes in and out of Russia and the Baltic, and to and from other emerging markets such as Brazil. Intra-Asian container trade volumes also grew rapidly during this period. In 2009, global container trade was an estimated 125 million TEU following a significant contraction of 9.0% due to the worldwide recession. Global trade subsequently rebounded by 12.8% to 141 million TEU in 2010. Global trade grew by a further 7.1% in 2011 to stand at 151 million TEU, and is projected to reach 157 million TEU in full year 2012, representing growth of 4.5%. The rate of global trade growth is currently expected to stand at 6.6% in 2013, although this projection is subject to a wide range of risks from the global economy.

Note: The 2012 and 2013 forecasts are as of November 2012 and subject to change. Complete trade and economic data for 2012 is not yet available, estimates are subjective and there is no guarantee that current trends will continue.

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**Table of Contents*****Trade Routes and Growth Trends***

Global container trade is spread over a range of long-haul, regional, and intra-regional routes, which can be separated into four categories. The individual mainlane container trades on the major east-west routes are the world's largest in volume terms. The Transpacific trade route is the world's largest container trade with 14% of the total container volume in 2011, followed by the Far East-Europe trade route and the Transatlantic trade route. Due to the higher cargo volumes on these routes, they are generally served by very large Post-Panamax ships with capacity of 8,000 TEU and above, and by other large Post-Panamax and Panamax containerships generally with capacity from 8,000 TEU down to around 4,500 TEU. There are also some 3,000-4,500 TEU containerships which continue to serve these trades. Non-Mainlane East-West routes include trade lanes between the Indian Sub-Continent or the Middle East and North America, Europe or the Far East, and are generally served by a range of ship sizes, from smaller Post-Panamax containerships below 8,000 TEU to vessels of Panamax size and below. North-South trade routes form the second layer of the global liner network, connecting the northern hemisphere with South America, Africa and Oceania, and are generally served by vessels of between 1,000-5,000 TEU, but also increasingly by vessels of 5,000 TEU and above. Intra-regional trade routes include both intra-Asian and intra-European trades, where containerships below 3,000 TEU in size generally provide the majority of transportation. Intra-Asian container trades collectively constitute the largest portion of global containership volumes. Ports involved in these trades often impose infrastructural and other limitations on the vessel types that can be utilized, such as draft restrictions or the lack of availability of handling equipment. As mentioned above, 2011 experienced increased demand for global container trade although signs of worsening U.S. and European demand became evident during the second half of the year. Recent data suggests that weakness in European demand persisted through the first three quarters of 2012. Gradually increasing container trade volumes are currently expected across trade lanes in 2013, although this projection is subject to a wide range of risks from the global economy.

Note: The 2012 and 2013 forecasts are as of November 2012 and subject to change. Complete trade and economic data for 2012 is not yet available, estimates are subjective and there is no guarantee that current trends will continue.

**Containership Supply**

The most significant portion of the global container capable fleet is comprised of fully cellular containerships which as of November 1, 2012, represented 5,107 vessels with a total capacity of 16.2 million TEU. The remainder of the fleet is made up of a range of non-fully cellular vessel types, including multi-purpose vessels, or MPPs, capable of carrying container and breakbulk cargo, roll-on roll-off cargo vessels, or Ro-Ros, and general cargo vessels, which often have container carrying capacity. Unless noted otherwise, the remainder of the discussion in this section focuses on fully cellular containerships. As of November 1, 2012, liner companies accounted for the ownership of 50.2% of containership fleet capacity, and charter owners, who own containerships and charter them out for operation by liner companies, accounted for 49.8% of total fleet capacity.

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Overall fully cellular containership standing slot capacity expanded at an average annual growth rate of 10.6% in the period 1985-2009. The fully cellular fleet capacity is estimated to have expanded by 9.7% in 2010 and by a further 7.9% in 2011. Fully cellular fleet capacity is currently projected to grow by 7.5% in full year 2012, with the rate of growth being maintained in 2013.

Note: The 2012 and 2013 forecasts are as of November 2012. These figures are subject to change as a result of actual delivery delay and cancellation, re-negotiation of contracts and levels of scrapping. Due to technical and contractual issues, there is currently considerable uncertainty surrounding the delivery of the orderbook.

As of November 1, 2012, the containership orderbook comprised 505 vessels and 3.5 million TEU, representing 21.9% of the existing fleet in terms of capacity. The size of orderbook, however, differed widely across containership size segments, as demonstrated below, with the most significant portion of the orderbook as a proportion of existing fleet capacity being in the larger vessel sizes.

Overall since the start of 2000 the containership orderbook has represented an average of 38% of fully cellular fleet capacity. At the start of 2008, the containership orderbook as a proportion of fully cellular fleet capacity reached a high of 60.6%, decreasing to 50.6% at the start of 2009, 38.1% at the start of 2010 and 27.1% at the start of 2011 before increasing marginally to 28.5% at the start of 2012, and then decreasing to 21.9% at the start of November 2012.

Note: Orderbook data as at November 1, 2012. The historical orderbook is subject to change as a result of statistical reporting delays.

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<b>Containership Order Book by Year of Delivery</b>													
		<b>Total Order Book</b>		<b>2012</b>		<b>2013</b>		<b>2014</b>		<b>2015+</b>		<b>% Non-Delivery</b>	
<b>Containership Type</b>	<b>Size (TEU)</b>	<b>Number</b>	<b>000 TEU</b>	<b>% of fleet</b>	<b>000 TEU</b>	<b>% of flt</b>	<b>000 TEU</b>	<b>% of flt</b>	<b>000 TEU</b>	<b>% of flt</b>	<b>000 TEU</b>	<b>% of flt(2011)</b>	
<b>Post-Panamax</b>	<b>8,000 &amp; above</b>	222	2,558.1	55.7%	203.5	4.4%	998.1	21.7%	909.2	19.8%	447.3	9.7%	19%
<b>Post-Panamax</b>	<b>3,000-7,999</b>	137	675.6	20.0%	101.1	3.0%	446.6	13.2%	65.8	1.9%	62.1	1.8%	15%
<b>Panamax</b>	<b>3,000 &amp; above</b>	25	103.5	2.6%	14.3	0.4%	89.2	2.2%					80%
<b>Sub-Panamax</b>	<b>2,000-2,999</b>	35	87.7	5.1%	25.8	1.5%	39.5	2.3%	20.1	1.2%	2.3	0.1%	37%
<b>Handy</b>	<b>1,000-1,999</b>	73	105.5	5.9%	32.8	1.8%	55.8	3.1%	16.9	1.0%			44%
<b>Feeder/Max</b>	<b>100-999</b>	13	10.7	1.5%	5.7	0.8%	5.1	0.7%					70%
<b>Total</b>	<b>100+ TEU</b>	505	3,541.0	21.9%	383.1	2.4%	1,634.3	10.1%	1,012.0	6.3%	511.7	3.2%	27%

Source: Clarkson Research, November 2012.

Note: Orderbook as at November 1, 2012. Going forward, the orderbook will be influenced by delays, cancellations and the re-negotiation of contracts. Due to these technical and contractual issues, there is currently considerable uncertainty surrounding the orderbook. The information in the table above relates to the orderbook as at November 1, 2012 and does not take into account potential delivery problems. Orderbook includes some orders originally scheduled for delivery prior to 2012.

Although establishing accurate data is difficult, approximately 27% of scheduled deliveries in terms of TEU capacity expected to enter the fleet in 2011 at the start of that year have been confirmed as non-delivered during 2011. This figure was 70% for containerships below 1,000 TEU in size, 42% for containerships between 1,000 TEU and 2,999 TEU, 80% for Panamax containerships and 18% for Post-Panamax containerships. This is partly due to statistical reporting delays but also because of delays in construction and cancellations of orders. The right-hand column of the table above illustrates the difference between scheduled start year and actual containership deliveries in 2011. Delivering the orderbook presents a number of challenges, with factors both technical and financial facing both shipyards and owners contributing to delays in and cancellations of the containership scheduled deliveries.

The placement of new orders for containership capacity slowed dramatically in 2009. In 2007 a historical high level of 3.2 million TEU of containership capacity was ordered. In 2008 the volume of ordering slowed to 1.2 million TEU, while containership contracting activity in 2009 was negligible. Contracting activity picked up in the second half of 2010, taking total contracting in 2010 to 0.6 million TEU. Contracting levels remained high in the first half of 2011 and a total of 1.8 million TEU was contracted in the full year. Contracting activity in 2012 has once again slowed and a total of 0.4 million TEU was contracted in the first ten months of 2012. In the period from 1996 to 2008, an average of 312 containership orders were placed each year, with the average level of capacity ordered totaling 1.2 million TEU.

In the period from 1996 to 2008 an average of 30 containerships were scrapped each year. A substantial volume of aging containership capacity was sold for scrap in 2009, with the full year seeing 203 containerships with a combined capacity of 0.38 million TEU sold for scrap, significantly higher than historical levels. In 2010, 87 containerships with a combined capacity of 0.13 million TEU were sold for scrap and in 2011, 58 containerships with a combined capacity of 0.08 million TEU were sold for scrap. In the first ten months of 2012, 134 containerships with a combined capacity of 0.24 million TEU were sold for scrap. As of November 1, 2012, the average age of a vessel in the containership fleet was 10.8 years. The majority of aging containership capacity is at the smaller end of the fleet below 4,000 TEU, where some capacity may be more at risk of becoming outdated as larger ships prove more efficient at serving increased trade volumes. Overall, 5% of containership fleet capacity is currently aged 20 years or more.

As a result of the slowdown in demand through 2009, the portion of the fleet not in operation (or idle) grew from 0.42 million TEU at the end of 2008 to peak at an estimated 1.52 million TEU of capacity in December 2009, representing approximately 570 vessels, according to AXS-Alphaliner, equal to 11.8% of the global fleet by capacity, according to CRSL. However, the proportion of idle capacity declined through most of 2010 and the first half of 2011 as carriers reintroduced capacity on reactivated or newly implemented services, and in some cases upgraded capacity on existing services, to meet the apparent increase in trade volumes. However, owners once again increased the number of idle containerships in the second half of 2011 and by mid-March 2012, 302 containerships of a combined 0.91 million TEU were in lay-up according to AXS-Alphaliner, equal to 5.9% of the global fleet by capacity according to CRSL. The total idled capacity subsequently declined in the second quarter of 2012, but has since begun to increase, with 4.7% of the global fleet by capacity (0.76 million TEU) in lay-up at the beginning of November 2012.

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Following the downturn in container trade volumes in late 2008 and 2009, a significant number of container shipping services began to be operated by liner companies at slower vessel speeds than in the past, with additional ships added to services in order to maintain fixed regular port call schedules. This management of supply not only reduced liner company bunker costs but also helped absorb containership capacity, as slow steamed services offer the same amount of running capacity whilst requiring additional standing vessel capacity. As of November 2012, slow steaming remains in place on a range of container shipping services and appears to have been most prevalent on services on the longer mainlane trades such as the Far East-Europe and the Transpacific, where there is the greater possibility to add extra ships and adjust the service speed to an appropriate level, than on shorter-haul trades. Along with the idling of capacity, slow steaming of services was another of a range of initiatives to manage supply during the period of surplus capacity.

During this period, redeployment of supply across trade lanes has also been a key feature of the containership sector. With deliveries of new capacity dominated by larger containerships and trade volumes growing more rapidly on north-south and intra-regional trade lanes traditionally served by medium-sized and smaller containerships, a significant degree of vessel redeployment, known as cascading has been required. As new very large Post-Panamax vessels have been delivered into service on the Far East-Europe trade lane, vessels have been redeployed from the Far East-Europe to other trade lanes including the Transpacific, from where medium-sized capacity has in turn been redeployed notably to north-south trade lanes, from where in turn some smaller vessels have been redeployed to intra-regional trade lanes for example.

**Containership Markets*****Containership Time Charter Rates***

Pricing of containership transportation services occurs against a background of a highly competitive global containership charter market. Containership charter rates depend on the supply of, and demand for, containership capacity, and can vary significantly from year to year. Containership economies of scale mean that the daily time charter rate per TEU for a larger containership is less than for a ship with lower TEU capacity. The containership charter market experienced significant upward movement in time charter rates in the period between the start of 2002 and the middle of 2005. The market recovered from the decreases in charter rates seen in 2001 to levels beyond previous market highs before decreasing again mid-way through 2005, stabilizing in the first half of 2006, and then slipping further during the second half of 2006. The first half of 2007 saw the containership charter market recover to rate levels similar to those seen in late 2005 and early 2006, while rates continued to increase during early 2008. However, the onset of the global economic downturn and the resulting slowdown in container trade growth created a relative oversupply of capacity, leading to a rapid decrease in containership earnings in the latter half of 2008, which continued in the first half of 2009, with earnings remaining depressed during the rest of the year. In 2010 containership charter rates registered an upward trend over the year as a whole and made further gains in early 2011 before decreasing sharply in the second half of 2011 and remaining depressed through much of 2012. Based on an index covering a range of containership sizes, time charter daily rates improved 86% during 2010 only to decrease by around 37% during 2011. The estimated one year time charter rate for a 3,500 TEU containership at the end of December 2010 was \$15,500 per day. At the end December 2011 the rate had decreased to \$6,500 per day and by the end of October 2012 it stood at \$7,000 per day compared to an average of \$23,068 per day in the period 2000-2011.

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Note: Estimates based on market assessments for theoretical fully cellular ships by H. Clarksons & Co. Ltd. brokers. These estimates are based on a given point in time and are no guide to or guarantee of future rates. Geared vessels have their own cranes for the purpose of loading and unloading containers.

There are, of course, limitations and risks to future projections, depending on developments in the world economy and global trade patterns, and the development of ordering, deliveries and scrapping in the future. With the decrease in demand for container volume in 2009, supply far outweighed demand for the global movement of containers, causing significant downwards pressure on the entire container shipping sector. The impact of the differential between growth in demand and supply on the containership charter market pushed rates sharply downwards. Demand growth outpaced capacity expansion in 2010 leading to upwards pressure on rates, while supply growth and demand growth were relatively matched in 2011 on an annual basis. However, the most recent available data appears to suggest that demand growth has been weaker this year than the growth in supply, and combined with the majority share of idle capacity constituted by charter owner vessels, this has suppressed any significant upward movement in charter rates.

***Vessel Values: The Newbuilding and Secondhand Containership Markets***

*Newbuilding Prices:* The development of containership newbuilding prices reflects both the demand for vessels as well as the cost of acquisition of new containerships by owners from shipyards, which is influenced by the cost of materials and labor, availability of shipbuilding capacity, and the impact of demand from other shipping sectors on shipyards. Economies of scale in containership building mean that the cost per TEU involved in building larger containerships is less than for vessels with smaller TEU capacity.



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The total newbuilding price for a theoretical 6,600 TEU containership increased from \$60.0 million at the start of 2003 to a peak of \$108.0 million in the period June to September 2008. However, following the onset of the global economic downturn, this figure fell to \$66.0 million at the end of January 2010. By the end of December 2010 it had increased to \$79.5 million. The figure subsequently softened slightly in 2011, and has continued to decrease in the year-to-date to \$58.5 million at the end of October 2012. The graph below shows the historical development of containership newbuilding prices. The average price for a 6,600 TEU containership newbuilding since March 2001 is estimated at \$81.1 million.

Note: Prices are evaluated at the end of each calendar month. Newbuild prices assume European spec., standard payment schedules and first class competitive yards quotations. Prices are evaluated at the end of each calendar month.

*Secondhand Prices:* As the containership charter market plays an increasingly important role in the container shipping industry as a whole, the market for the sale and purchase of secondhand containerships has also expanded. Secondhand vessel prices are influenced by newbuilding prices and also by vessel charter rates or earnings, although there is sometimes a lag in the relationship.

Activity on the secondhand market for containerships has grown steadily in recent years from relatively low levels of activity in the past. A portion of this activity has been constituted by the sale of containerships by liner companies to charter owners. These sales have commonly been accompanied by time charter back arrangements whereby the liner company sells the vessel, removing the asset from its balance sheet, then, as part of the transaction, arranges a time charter of the vessel from the party to which it has sold the ship. The liquidity of the secondhand sales market is much greater for small and medium-sized containerships than for large vessels. Only 269 of the 1,479 secondhand containership sales recorded in the period 2000-2011 involved ships with 3,000 TEU or more in capacity. Large containerships are generally newer, and more likely to remain owned by their original owner either for their own end use or on an initial relatively long-term charter.

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Secondhand containership sales volumes show some volatility. In 2010, a total of 171 secondhand vessels with a combined capacity of 373,667 TEU were sold, while a total of 94 vessels with a combined 259,437 TEU were sold in 2011 and 131 vessels with a combined 220,111 TEU were sold in the first ten months of 2012. The following graph shows the development of secondhand prices for five-year old containerships. Trends in secondhand prices for older containerships typically move according to similar cycles. The graph shows the development of 5-year-old 3,500 TEU, 1,700 TEU and 1,000 TEU ship prices. The price for a theoretical 5-year-old 1,700 TEU containership decreased from \$37.5 million at the start of June 2008 to just \$14.0 million at the end of 2009. 2010 saw an upward trend in secondhand containership prices, while prices remained relatively stable in the first three quarters of 2011 before registering a sharp downward movement in the four quarters since. The 5-year-old 1,700 TEU price as at end October 2012 was estimated to be approximately \$13.5 million, compared to a 10-year average of \$25.1 million.

Note: Prices are evaluated at the end of each calendar month. There have been periods of uncertainty surrounding secondhand prices and the values provided between October 2008 and December 2009 are subject to wider than usual confidence margins.

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**Table of Contents****BUSINESS****Overview**

We are a leading independent charter owner and manager of containerships, which we charter primarily pursuant to long-term, fixed-rate time charters to major container liner companies. As of November 15, 2012, we operated a fleet of 69 containerships (including eight vessels under long-term leases), and we had entered into contracts for the purchase of an additional three newbuilding containerships, which have scheduled delivery dates through July 2014. Each of our newbuilding vessels will commence operation under long-term, fixed-rate charters upon delivery. The average age of the 69 vessels in our operating fleet was approximately five years as of November 15, 2012.

Customers for our operating fleet are CSCL Asia, HL USA, HMM, COSCON, CSAV, MOL, K-Line, MSC and Yang Ming. The customer for the additional three newbuilding vessels is Hanjin. 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 export markets in the United States and in Europe.

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 charters. As of November 15, 2012, the charters on the 69 vessels in our operating fleet had an average remaining term of approximately seven years, excluding the effect of charterers' options to extend certain time charters.

In January 2012, we acquired our Manager, which provides us with all of our technical, administrative and strategic services. Our Manager also manages a limited number of vessels for third parties.

**Our Fleet*****Our Current Fleet***

The following table summarizes key facts regarding our 69 operating vessels as of November 15, 2012:

VESSEL NAME	VESSEL CLASS (TEU)	YEAR BUILT	CHARTER START DATE	CHARTERER	LENGTH OF CHARTER	DAILY CHARTER RATE (in thousands)
COSCO Glory	13100	2011	6/10/11	COSCON	12 years	\$55.0
COSCO Pride <sup>(1)</sup>	13100	2011	6/29/11	COSCON	12 years	55.0
COSCO Development	13100	2011	8/10/11	COSCON	12 years	55.0
COSCO Harmony	13100	2011	8/19/11	COSCON	12 years	55.0
COSCO Excellence	13100	2012	3/8/12	COSCON	12 years	55.0
COSCO Faith <sup>(1)</sup>	13100	2012	3/14/12	COSCON	12 years	55.0
COSCO Hope	13100	2012	4/19/12	COSCON	12 years	55.0
COSCO Fortune	13100	2012	4/29/12	COSCON	12 years	55.0
CSCL Zeebrugge	9600	2007	3/15/07	CSCL Asia	12 years	34.0 <sup>(2)</sup>
CSCL Long Beach	9600	2007	7/6/07	CSCL Asia	12 years	34.0 <sup>(2)</sup>
CSCL Oceania	8500	2004	12/4/04	CSCL Asia	12 years + one 3-year option	29.8 <sup>(3)</sup>
CSCL Africa	8500	2005	1/24/05	CSCL Asia	12 years + one 3-year option	29.8 <sup>(3)</sup>
COSCO Japan	8500	2010	3/9/10	COSCON	12 years + three 1-year options	42.9 <sup>(4)</sup>
COSCO Korea	8500	2010	4/5/10	COSCON	12 years + three 1-year options	42.9 <sup>(4)</sup>
COSCO Philippines	8500	2010	4/24/10	COSCON	12 years + three 1-year options	42.9 <sup>(4)</sup>
COSCO Malaysia	8500	2010	5/19/10	COSCON	12 years + three 1-year options	42.9 <sup>(4)</sup>

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COSCO Indonesia	8500	2010	7/5/10	COSCON	12 years + three 1-year options	42.9 <sup>(4)</sup>
COSCO Thailand	8500	2010	10/20/10	COSCON	12 years + three 1-year options	42.9 <sup>(4)</sup>
COSCO Prince Rupert	8500	2011	3/21/11	COSCON	12 years + three 1-year options	42.9 <sup>(4)</sup>
Alianca Itapoa <sup>(5)</sup>	8500	2011	4/21/11	COSCON	12 years + three 1-year options	42.9 <sup>(4)</sup>

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VESSEL NAME	VESSEL			CHARTERER	LENGTH OF CHARTER	DAILY CHARTER RATE (in thousands)
	CLASS (TEU)	YEAR BUILT	CHARTER START DATE			
MOL Emerald	5100	2009	4/30/09	MOL	12 years	\$28.9
MOL Eminence	5100	2009	8/31/09	MOL	12 years	28.9
MOL Emissary	5100	2009	11/20/09	MOL	12 years	28.9
MOL Empire	5100	2010	1/8/10	MOL	12 years	28.9
MSC Veronique	4800	1989	11/25/11	MSC	5 years	10.0 <sup>(6)</sup>
MSC Manu	4800	1988	11/15/11	MSC	5 years	10.0 <sup>(6)</sup>
MSC Leanne	4800	1989	10/19/11	MSC	5 years	10.0 <sup>(6)</sup>
MSC Carole	4800	1989	10/12/11	MSC	5 years	10.0 <sup>(6)</sup>
Brotonne Bridge <sup>(1)</sup>	4500	2010	10/25/10	K-Line	12 years + two 3-year options	34.3 <sup>(7)</sup>
Brevik Bridge <sup>(1)</sup>	4500	2011	1/25/11	K-Line	12 years + two 3-year options	34.3 <sup>(7)</sup>
Bilbao Bridge <sup>(1)</sup>	4500	2011	1/28/11	K-Line	12 years + two 3-year options	34.3 <sup>(7)</sup>
Berlin Bridge <sup>(1)</sup>	4500	2011	5/9/11	K-Line	12 years + two 3-year options	34.3 <sup>(7)</sup>
Budapest Bridge <sup>(1)</sup>	4500	2011	8/1/11	K-Line	12 years + two 3-year options	34.3 <sup>(7)</sup>
CSAV Licanten <sup>(8)</sup>	4250	2001	7/3/01	CSCL Asia	10 years + one 2-year option	18.3 <sup>(9)</sup>
CSCL Chiwan	4250	2001	9/20/01	CSCL Asia	10 years + one 2-year option	18.3 <sup>(9)</sup>
Seaspan Ningbo <sup>(10)</sup>	4250	2002				
Seaspan Dalian	4250	2002	7/26/12	HMM	Up to 6 months	Short-term rate <sup>(11)</sup>
Seaspan Felixstowe <sup>(10)</sup>	4250	2002				
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	10/19/05	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	18.0 <sup>(13)</sup>
Dubai Express	4250	2006	1/3/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	18.0 <sup>(13)</sup>
Jakarta Express	4250	2006	2/21/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	18.0 <sup>(13)</sup>
Saigon Express	4250	2006	4/6/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	18.0 <sup>(13)</sup>
Lahore Express	4250	2006	7/11/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	18.0 <sup>(13)</sup>
Rio Grande Express	4250	2006	10/20/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	18.0 <sup>(13)</sup>
Santos Express	4250	2006	11/13/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	18.0 <sup>(13)</sup>
Rio de Janeiro Express	4250	2007	3/28/07	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	18.0 <sup>(13)</sup>
Manila Express	4250	2007	5/23/07	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(12)</sup>	18.0 <sup>(13)</sup>
CSAV Loncomilla	4250	2009	4/28/09	CSAV	6 years	25.9
CSAV Lumaco	4250	2009	5/14/09	CSAV	6 years	25.9
CSAV Lingue	4250	2010	5/17/10	CSAV	6 years	25.9
CSAV Lebu	4250	2010	6/7/10	CSAV	6 years	25.9
Madinah <sup>(1)</sup>	4250	2009	6/20/12	Yang Ming	Up to 7 months	Short-term rate <sup>(11)</sup>
COSCO Fuzhou	3500	2007	3/27/07	COSCON	12 years	19.0
COSCO Yingkou	3500	2007	7/5/07	COSCON	12 years	19.0
CSCL Panama	2500	2008	5/14/08	CSCL Asia	12 years	16.8 <sup>(14)</sup>

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VESSEL NAME	VESSEL CLASS (TEU)	YEAR BUILT	CHARTER START DATE	CHARTERER	LENGTH OF CHARTER	DAILY CHARTER RATE (in thousands)
CSCL São Paulo	2500	2008	8/11/08	CSCL Asia	12 years	\$16.8 <sup>(14)</sup>
CSCL Montevideo	2500	2008	9/6/08	CSCL Asia	12 years	16.8 <sup>(14)</sup>
CSCL Lima	2500	2008	10/15/08	CSCL Asia	12 years	16.8 <sup>(14)</sup>
CSCL Santiago	2500	2008	11/8/08	CSCL Asia	12 years	16.8 <sup>(14)</sup>
CSCL San Jose	2500	2008	12/1/08	CSCL Asia	12 years	16.8 <sup>(14)</sup>
CSCL Callao	2500	2009	4/10/09	CSCL Asia	12 years	16.8 <sup>(14)</sup>
CSCL Manzanillo	2500	2009	9/21/09	CSCL Asia	12 years	16.8 <sup>(14)</sup>
Guayaquil Bridge	2500	2010	3/8/10	K-Line	10 years	17.9
Calicanto Bridge	2500	2010	5/30/10	K-Line	10 years	17.9

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

(2) CSCL Asia has a charter of 12 years with a charter rate of \$34,000 per day, increasing to \$34,500 per day after six years.

(3) CSCL Asia has an initial charter of 12 years with a charter rate of \$29,500 per day for the first six years, \$29,800 per day for the second six years, and \$30,000 per day during the three-year option.

(4) COSCON has an initial charter of 12 years with a charter rate of \$42,900 per day for the initial term and \$43,400 per day for the three one-year options.

(5) The name of the COSCO Vietnam was changed to Alianca Itapoa in March 2012, in connection with a sub-charter from COSCON to Hamburg Süd.

(6) MSC has a bareboat charter of five years with a charter rate of \$10,000 per day, increasing to \$14,500 after two years. MSC has agreed to purchase the vessels for \$5.0 million each at the end of the five-year bareboat charter terms. In addition, we pay a 1.25% commission to a broker on all bareboat charter payments for these charters.

(7) 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.

(8) This vessel is on sub-charter from CSCL Asia to CSAV.

(9) CSCL Asia has an initial charter of 10 years with a charter rate of \$18,000 per day for the first five years, \$18,300 per day for the second five years, and \$19,000 per day for the two-year option. CSCL Asia has exercised its options on the CSAV Licanten and the CSCL Chiwan.

(10) This vessel currently is idle.

(11) Given the term of the time charter is less than one year, the vessel is being chartered at rates applicable to short-term charters.

(12) For these charters, the initial term was three years, which automatically extends for up to an additional seven years in successive one-year extensions unless HL USA elects to terminate the charters with two years prior written notice. HL USA would have been required to pay a fee of approximately \$8.0 million to terminate a charter at the end of the initial term. The termination fee declines by \$1.0 million per year per vessel in years four through nine. The initial terms of the charters for these vessels have expired, and these charters have automatically extended pursuant to their terms.

(13) HL USA had an initial charter of three years that automatically extends for up to an additional seven years in successive one-year extensions unless HL USA elects to terminate the charters with two years prior written notice, with a charter rate of \$18,000 per day and \$18,500 per day for the two one-year options.

(14) CSCL Asia has a charter of 12 years with a charter rate of \$16,750 per day for the first six years, increasing to \$16,900 per day for the second six years.

**New Vessel Contracts**

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

As of November 15, 2012, we have contracted to purchase three additional newbuilding containerships, which have scheduled delivery dates through July 2014. These three newbuilding vessels consist of the following:

VESSEL	VESSEL~CLASS (TEU)	LENGTH OF TIME CHARTER <sup>(1)</sup>	CHARTERER	SCHEDULED DELIVERY DATE	SHIPBUILDER
Hull No. 983	10000	10 years + one 2-year option	Hanjin	2014	New Jiangsu
Hull No. 985	10000	10 years + one 2-year option	Hanjin	2014	Jiangsu Xinfu
Hull No. 993	10000	10 years + one 2-year option	Hanjin	2014	New Jiangsu

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

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The following chart indicates the estimated number of vessels in our fleet based on scheduled delivery dates as of November 15, 2012:

	YEAR ENDING DECEMBER 31, SCHEDULED		
	2012	2013	2014
Deliveries			3
Operating Vessels	69	69	72
<b>Approximate Total Capacity (TEU)</b>	<b>405,100</b>	<b>405,100</b>	<b>435,100</b>

**Our Competitive Strengths**

We believe that we possess a number of competitive strengths that will allow us to capitalize on the opportunities in the containership industry, including the following:

- n *Scale, diversity and high quality of our fleet.* We are one of the largest independent charter owners and managers of containerships and believe that the size of our fleet appeals to our customers and provides us cost savings through volume purchases and leverage in negotiating newbuilding contracts and accessing shipyard berths. Our operating fleet of 69 containerships had an average age of approximately five years as of November 15, 2012, which is significantly below the industry average of approximately 11 years. Our three newbuilding vessels also will be subject to our high standards for design, construction quality and maintenance. The vessels in our fleet range in size from 2500 TEU to 13100 TEU, and our 13100 TEU containerships are among the largest sized containerships in operation.
- n *Strong, long-term relationships with high-quality customers, including leading Asian container liners.* We have developed strong relationships with our customers, which include leading container liner companies. We believe we are the largest provider of containerships to China, and anticipate that Asian demand for containerships will continue to rebound and grow following the recent economic downturn. We attribute the strength of our customer relationships in part to our consistent operational quality, customer oriented service and historical average utilization of over 99% since our initial public offering in 2005.
- n *Enhanced stability of cash flows through long-term, fixed-rate time charters.* Our vessels are primarily subject to long-term, fixed-rate time charters, which had an average remaining term of approximately seven years as of November 15, 2012. As a result, substantially all of our revenue is protected from the volatility of spot rates and short-term charters. To further promote cash flow stability, we have primarily placed newbuilding orders and purchased secondhand vessels when we have concurrently entered into long-term time charters with our customers. As of November 15, 2012, and excluding any extensions of our time charters, we had approximately \$5.8 billion of contracted future revenue under existing fixed-rate and bareboat time charters, including approximately \$0.5 billion attributable to time charters for the remaining three newbuilding containerships that we have contracted to purchase.
- n *Proven ability to source capital for growth.* Since our initial public offering in 2005, we have successfully accessed capital to grow our fleet. Including our initial public offering, we have raised approximately \$2.2 billion in public and private issuances of equity securities. In addition, we have secured credit and lease facilities with aggregate outstanding borrowings and commitments of \$3.8 billion as of September 30, 2012. We also accessed capital during the recent economic downturn, including raising preferred share



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equity and entering into sale-leaseback financings. We believe we will be able to use our existing debt capacity and current cash balances (exclusive of amounts committed to finance the remaining payments on the three vessels we have agreed to purchase), to fund additional growth beyond our contracted fleet. We intend to continue to access existing capital, and to seek new sources of capital, to cost-effectively maintain and grow our fleet over the long term.

- n *Significant delivered fleet growth.* We have significantly grown our fleet since our initial public offering in August 2005. At that time, we had an operating fleet of 10 vessels with another 13 vessels on order, aggregating 116,950 TEU. As of November 15, 2012, we had 69 vessels in operation and three newbuilding

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vessels on order, aggregating 435,100 TEU, an increase since our initial public offering of 272.0% in TEU capacity. The aggregate capacity of the three newbuilding vessels, with scheduled delivery dates through July 2014, represents over 7.4% of the aggregate capacity of our vessels currently in operation. We believe that our longstanding relationships with key constituents in the containership industry, including container liner companies, shipbuilders and shipping banks, as well as our affiliation with the Vehicle, will enable us to continue sourcing newbuilding and secondhand vessel acquisition opportunities at terms attractive to us.

- n *Experienced management.* Together our chief executive officer, chief operating officer and chief financial officer have over 60 years of professional experience in the shipping industry, and they have experience managing shipping companies through multiple economic cycles. The members of our management team have prior experience with many companies in the international ship management industry, such as China Merchants Group, Neptune Orient Lines, APL Limited, Safmarine Container Lines and Columbia Ship Management, and provide expertise across commercial, technical, financial and other functional management areas of our business. The acquisition of our Manager in January 2012 provides us direct control over these functions.

**Our Business Strategies**

We seek to continue to expand our business and increase our cash flow by employing the following business strategies:

- n *Pursuing long-term, fixed-rate charters.* We intend to continue to primarily employ our vessels under long-term, fixed-rate charters, which contribute to the stability of our cash flows. In addition, container liner companies typically employ long-term charters for strategic expansion into major trade routes, while using spot charters for shorter term discretionary needs. To the extent container liner companies expand their services into major trade routes, we believe we are well positioned to participate in their growth.
- n *Expanding and diversifying our customer relationships.* Since our initial public offering, we have increased our customer base from two to ten customers and have expanded our revenue from existing customers. We intend to continue to expand our existing customer relationships and to add new customers to the extent container liner companies increase their use of chartered-in vessels to add capacity in their existing trade routes and establish new trade routes. We believe that we will benefit from the expected growth of worldwide container shipping demand, especially in certain markets that we believe have high growth potential, such as Asia, where we have strong customer relationships. We also believe that our experience in working with container liners to provide ship design, construction supervision and chartering services will improve our ability to secure new customers.
- n *Actively acquiring newbuilding and secondhand vessels.* We have increased, and intend to further increase, the size of our fleet through selective acquisitions of new and secondhand containerships that we believe will be accretive to our cash flow. We believe that entering into newbuilding contracts will continue our long-term fleet growth and provide modern vessels to our customers. In addition, we intend to continue to selectively consider any nearer-term growth opportunities to acquire high-quality secondhand vessels, primarily either with existing long-term charters or where we can enter into long-term charters concurrently with the acquisitions. We also intend to consider appropriate (a) partnering opportunities that would allow us to seek to capitalize on opportunities in the newbuilding and secondhand markets with more modest investments, and (b) business acquisitions, as well as the potential sale of any older vessels in our fleet as part of fleet renewal.
- n *Maintaining efficient capital structure.* We intend to pursue a financial strategy that aims to preserve our financial flexibility and achieve a low cost of capital so that we may take advantage of acquisition and expansion opportunities in the future while also meeting our existing obligations.

**Table of Contents****Charters****General**

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 November 15, 2012.

CUSTOMER	NUMBER OF VESSELS IN OUR CURRENT OPERATING FLEET	NUMBER OF VESSELS SCHEDULED TO BE DELIVERED	TOTAL VESSELS UPON ALL DELIVERIES
<i>Time charters</i>			
CSCL Asia	19		19
HL USA	9		9
COSCON	18		18
CSAV	4		4
HMM	1		1
MOL	4		4
K-Line	7		7
Yang Ming	1		1
Hanjin		3	3
<i>Total time charters</i>	<i>63</i>	<i>3</i>	<i>66</i>
<i>Bareboat charters</i>			
MSC	4		4
<b>Total charters</b>	<b>67</b>	<b>3</b>	<b>70</b>
Idle	2		2
Total fleet	69	3	72

**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. 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 the five-year bareboat charter terms.

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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 AG has provided a guarantee of the obligations and liabilities of CP Ships Limited under the original guarantee. For the 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

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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, which we acquired in January 2012, 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 cost of fuel bunkers, 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:

- n operational deficiencies not due to actions of the charterers or their agents;
- n dry-docking for repairs, maintenance or inspection;
- n equipment or machinery breakdowns, abnormal speed and construction conditions;
- n delays due to accidents for which the vessel owner, operator or manager is responsible, and related repairs;
- n crewing strikes, labor boycotts caused by the vessel owner, operator or manager, certain vessel detentions or similar problems; or
- n 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 have agreed to provide ship management and construction supervision services to the Vehicle.

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

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- n developing a minimum competency standard for seagoing staff;
- n standardizing equipment used throughout the fleet, thus promoting efficiency and economies of scale;
- n 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);
- n recruiting officers and ratings through an affiliate based in India that has a record of employee loyalty and high retention rates among its employees;
- n implementing an incentive system to reward staff for the safe operation of vessels; and
- n 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 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

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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; 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 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.

### ***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.

### ***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 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.





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### **Seasonality**

Our vessels primarily operate under long-term charters and are generally not subject to the effect of seasonal variations in demand.

### **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 (the latter to enter into effect on January 1, 2014). Additional geographical areas may be designated as ECAs in the future. Annex VI calls for incremental reductions in sulfur in fuel between 2012 and

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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 for engines installed on or after January 1, 2011 and a more stringent Tier III emission limit for engines installed on or after 2016 operating in nitrogen oxide ECAs. 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 has adopted technical and operational measures for the reduction of greenhouse gas emissions that are expected to become effective on January 1, 2013. These include the Energy Efficiency Design Index, which will be mandatory for newbuilding vessels, and the Ship Energy Efficiency Management Plan, which will be 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 treatments systems on newbuilding vessels for which the keel is laid after January 1, 2013 and for existing vessels prior to their first intermediate or renewal survey after January 1, 2016. The BWM Convention will become effective, on a retroactive basis, 12 months after it has been adopted by a specified threshold of member states. If 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. Under OPA, liability for non-tank vessels is currently capped at \$1,000 per gross ton or \$854,400, whichever is greater. Under CERCLA,

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liability for vessels is generally limited to the greater of \$300 per gross ton or \$500,000 (or \$5 million for vessels carrying hazardous substances) per incident. 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 scope of the VGP is proposed also to control the release of non-indigenous invasive species in ballast water discharges, the scope of which would be generally consistent with the BWM Convention. 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.

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. These 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 example, California is in the process of setting increased limits on the number of living organisms allowed in ballast water discharge. California also requires larger ships to regularly remove hull fouling and submit appropriate reports annually.

### *Clean Air Act*

The Clean Air Act, or the CAA, and its implementing regulations subjects 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 between 2011 and 2016, are consistent with Annex VI of MARPOL and establish significant reductions for vessel emissions of particulate matter, sulfur oxides and nitrogen oxides.



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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 the Company 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 legislation prescribes measures to prevent pollution, mandates clean up of marine pollution, and creates civil and 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 fines and civil and 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 significant fines and civil and 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 civil liability for restoration of the environment, costs and expenses incurred relating to prevention or remedying environmental damage, or an environmental emergency. Limited defenses are provided but generally would not cover violations arising from ordinary vessel operations.

#### ***Marine Liability Act***

The Marine Liability Act is the principal legislation dealing with liability of shipowners and operators in relation to passengers, cargo, pollution and property damage. The Marine Liability Act 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 Marine Liability Act also provides for the creation of a maritime lien over foreign vessels for unpaid invoices to ship suppliers operating in Canada.

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*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 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 fines and 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. Maximum fines and criminal penalties are increased if a person intentionally causes damage to the 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 European Union, or the EU, our vessels are subject to regulation 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 vessel type, flag, and number of previous detentions. Member states must inspect minimum percentages of vessels using their ports annually and provide increased surveillance of vessels posing a high risk to maritime safety or the marine environment. 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, the European Parliament approved a new directive which will amend the existing one to bring the above requirements in line with Annex VI of MARPOL. The

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new directive will make 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 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. The EU Commission's proposals included, in part, 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 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 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. 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 the terrorist attacks of September 11, 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:

- n on-board installation of automatic information systems, or AIS, to enhance vessel-to-vessel and vessel-to-shore communications;
- n on-board installation of ship security alert systems;
- n the development of vessel security plans; and

- n compliance with flag state security certification requirements.

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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, or ISSC, 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 prospectus supplement, 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.

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 tax and the branch profits tax or the 4% gross basis tax, all of which are 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 (i) 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, (ii) satisfies one of three ownership tests, or Ownership Test, described in the Section 883 Regulations and (iii) meets certain substantiation, reporting and other requirements.

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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 Test 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 Test because our Class A common shares, our Series C preferred shares and our Series D preferred shares are, or, in the case of our Series D preferred shares, will be, 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 affecting the trading, ownership or value of our Class A common shares, our Series C preferred shares or our Series D preferred shares subsequent to the date of this offering will permit us to continue to qualify for the Section 883 Exemption.

### *The Net Basis Tax 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.

### *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 is the operation of ships that are used primarily in transporting passengers or goods in international traffic, all or substantially all of its gross revenue for the year consists of gross revenue from the operation of ships in transporting passengers or goods in that international traffic, and it was not granted articles of continuance in Canada before the end of the year.

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Based on our operations, 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.

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 the operation of a ship in international traffic, and gains realized from the disposition of ships used principally in international traffic, are not included in a 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.

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. However, 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 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.

**Table of Contents****MANAGEMENT****Directors and Officers**

The following table provides information about our directors, executive officers and key employees.

NAME	AGE	POSITION
Kyle R. Washington	42	Co-Chairman of the board of directors and Co-Founder
Gerry Wang	50	Chief Executive Officer, Co-Chairman of the board of directors and Co-Founder
Peter Curtis	54	Chief Operating Officer
Sai W. Chu	46	Chief Financial Officer
Mark Chu	45	General Counsel and Director, Corporate Finance
Rob Grool	55	President, Fleet Management of SSML
John C. Hsu	49	Director
George H. Juetten	65	Director
Peter Lorange	69	Director
Harald H. Ludwig	60	Director
David Lyall	56	Director
Nicholas Pitts-Tucker	61	Director
Graham Porter	42	Director and Co-Founder
Peter S. Shaerf	58	Deputy Chair of the board of directors

**Kyle R. Washington.** Kyle R. Washington was appointed as chairman of the board in May 2005 and in February 2011 became co-chairman with Gerry Wang. From 2005 to 2011 he served as chairman of our Manager, Seaspan Marine Services Ltd., and certain of our Manager's operating subsidiaries. From 1998 to 2006, Mr. Washington was a director and executive chairman of Seaspan Marine Corporation, 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 Marine Corporation 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 the Washington Group of Companies. 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 a director of MagIndustries Corp. and as the chairman of the board of managers of Greater China Intermodal Investments LLC, an investment vehicle established by an affiliate of The Carlyle Group. 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 bulkcarriers and also oversaw a number of new building programs. Prior to joining SSML in 2001, Mr. Curtis was based in Cyprus for two

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years with Columbia Ship Management as technical director. He obtained a B.Sc. 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 B.Sc. in business from Stellenbosch University in South Africa.

**Sai W. Chu.** Sai W. Chu was appointed as our chief financial officer in June 2007 and as our corporate secretary in January 2011. Mr. Chu was appointed chief financial officer of Seaspan Container Lines Limited, or SCLL, in May 2005 and has served as a director or executive officer of certain of our Manager's operating subsidiaries since May 2005, after joining SSML as corporate controller in September 2004 and the Washington Marine Group as corporate controller in April 2004. From 1995 to 1998, he was the assistant corporate controller with Imperial Parking Limited, an integrated parking management company with operations in Asia and North America. From 1998 to 1999, Mr. Chu was manager, financial reporting, of BC Gas Inc. (now Terasen Inc.), a natural gas and oil transmission and distribution utility. From 2000 to April 2004, he was controller of Datawest Solutions Inc., a technology provider of banking and payment solutions. Mr. Chu qualified as a chartered accountant in 1992 having articulated with KPMG LLP's Vancouver office and also qualified as a certified management accountant in 1990.

**Mark Chu.** Mark Chu was appointed as our general counsel and director, corporate finance in March 2012. 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. He obtained his business and law degrees from the University of British Columbia.

**Rob Grool.** Rob Grool was appointed president, fleet management of SSML, in February 2012. Mr. Grool started his career with shipowners Vroon in Breskens, Holland, and built, operated and chartered livestock carriers in Saudia Arabia between 1982 and 1987. He was subsequently appointed a fleet director at Van Nievelt Goudriaan & Co in Rotterdam. In 1991, Mr. Grool joined third-party ship manager and managing owners Hanseatic Shipping Co., part of the Schulte Group, in Cyprus as the technical director, and was later appointed a joint managing director. In 2002, he joined the Wallem Group Ltd. in Hong Kong, where he was group managing director until December 2011, overseeing a fleet of approximately 400 ships, including tankers, bulkers, containerships, car carriers and reefer ships. Mr. Grool obtained a Master's degree in marine engineering and maritime economy from Delft University of Technology in Holland.

**John C. Hsu.** John Hsu was elected as a director in April 2008, as chair of the compensation committee in February 2011 and as co-chair of the compensation and governance committee in July 2012. 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 is currently a director. Since 1993, Mr. Hsu has been responsible for managing the Hsu family's investment portfolio, consisting of publicly listed securities, hedge funds, and private equity investments. He is chairman of a Taiwanese private company, TSSI Inc., a surveillance integrated circuit solutions provider. From 2003 to 2010 he was a partner with Ajia Partners, one of Asia's largest privately owned alternative investment firms. From 1998 to 2002, he was the chief investment officer of Matrix Global Investments, a hedge fund focused on U.S.-listed technology companies. Mr. Hsu received a Bachelor of Arts degree from Colgate University and a Master of Business Administration from Columbia University, and is fluent in Japanese and Mandarin.

**George H. Juetten.** George H. Juetten was elected by our Series A Preferred shareholders as a director in July 2009 and has served as chair of our audit committee since September 2009. Prior to his election, Mr. Juetten was executive vice president and chief financial officer of Washington Group International (URS Corporation) from 2001 to 2008. Washington Group International was a NYSE-listed integrated engineering, construction and management services company. Prior to that, Mr. Juetten was with Dresser Industries, Inc. (Halliburton Company), a NYSE-listed company that provided technology, products and services for developing energy and natural resources. He served as vice president and controller from 1993 to 1996 and as executive vice president and chief financial officer from 1996 to 1999. Mr. Juetten was an audit partner for Price Waterhouse from 1969 to 1993, serving in several jurisdictions, including three years at The Hague. He is a trustee of St. Alphonsus Regional Medical Centre and the

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College of Idaho and a member of the board of directors of the Boise Philharmonic Association. Mr. Juetten received a Bachelor of Science degree in Accounting from Marquette University, Milwaukee, Wisconsin and is member of the American Institute of Certified Public Accountants. As a director elected by our Series A Preferred shareholders, Mr. Juetten is not a member of any of our board's three classes of directors, which members are elected to hold office for a term of three years or until a successor is elected and qualifies.

**Peter Lorange.** Peter Lorange was elected as a director in August 2005. Mr. Lorange is chairman, president and chief executive officer of the Lorange Institute of Business in Zurich. Mr. Lorange was the president of the International Institute for Management Development, or IMD, from July 1993 to April 2008, and until July, 2009, he was Professor of Strategy at IMD and held the Kristian Gerhard Jebsen Chair of International Shipping. He was formerly president of the Norwegian School of Management in Oslo. Mr. Lorange was affiliated with the Wharton School, University of Pennsylvania for more than a decade in various assignments, including director for the Joseph H. Lauder Institute of Management and International Studies and The William H. Wurster Center for International Management Studies, as well as serving as The William H. Wurster Professor of Multinational Management. He has also taught at the Sloan School of Management (M.I.T.) and the Stockholm School of Economics. Mr. Lorange serves on the board of directors of several corporations, including Marsoft International A/S, Preferred Global Health, Zaruma Resources Inc., Global Praxis and Quartz & Co. He received his undergraduate education from the Norwegian School of Economics and Business, was awarded a Masters of Arts degree in Operations Management from Yale University and his Doctor of Business Administration degree from Harvard University.

**Harald H. Ludwig.** Harald Ludwig was elected by our Series A Preferred shareholders as a director in August 2012. Mr. Ludwig has over 30 years of extensive business and investment experience, including as president of Macluan Capital Corporation (a diversified private equity investment company), as a director and former co-chairman of Lions Gate Entertainment Corp., and as a director of West Fraser Timber Co. Ltd. He also serves on the boards of Canadian Overseas Petroleum Limited, West African Iron Ore Corp. and Zattikka plc, and was formerly a director of Prima Colombia Hardwood Inc. and Third Wave Acquisition Corp. Mr. Ludwig is also a founding partner or private equity investor in a number of North American and international private equity firms, hedge funds, mezzanine lenders, growth capital providers, distressed investment firms and real estate investment vehicles. He is a member of the Advisory Board of Tennenbaum Capital Partners, LLC and a governor of the British Columbia Children's Hospital Foundation. Mr. Ludwig graduated from Simon Fraser University and holds an L.L.B. degree from Osgoode Hall Law School. As a director elected by our Series A Preferred shareholders, Mr. Ludwig is not a member of any of our board's three classes of directors, which members are elected to hold office for a term of three years or until a successor is elected and qualifies.

**David Lyall.** David Lyall was elected as a director in May 2012. 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. He began his career in 1979 as an investment advisor at Pitfield Mackay Ross 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., an employee-owned investment dealer with more than 300 employees in its Canadian offices in Vancouver, Calgary and Toronto, Canada, as well as in London, England. 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 has over \$5 billion in assets under administration. Mr. Lyall graduated with a Bachelor of Arts degree from the University of British Columbia.

**Nicholas Pitts-Tucker.** Nicholas Pitts-Tucker was elected as a director in April 2010 and is co-chair of the compensation and governance 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 as the head of project finance, co-head of the structured finance division of Sumitomo Mitsui Banking Corporation Europe Limited, or SMBC Europe, and co-head of the international finance department of SMBC Europe, with particular emphasis on shipping and aviation finance in Asia, Europe and the Middle East. He also served 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

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2010, and also retired as a non-executive director and as a member of the audit committee of SMBC Europe in April 2011. Also in April 2011, he retired as a director of investors in the Community GP, which governs a trust invested in infrastructure projects in the United Kingdom. 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 founder, director and the current Head of the Finance Subcommittee of Riders for Health, an organization dedicated to providing reliable transport to remote rural African health networks. He was recently appointed to the executive council of the United Kingdom's Royal Society of Asian Affairs, which was founded in 1901 to promote greater knowledge and understanding of Central Asia and countries from the Middle East to Japan. 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 in April 2010. Mr. Porter has also served as a director of our Manager and certain of its operating subsidiaries since August 2005, and served as an executive officer of such entities prior to our acquisition of our Manager in January 2012. In 2000, Mr. Porter was part of the senior management and equity team to form SCLL, established to own and operate deep-sea container vessels. Mr. Porter is chairman of Tiger Group, an investment firm based in Hong Kong which, through its affiliated companies, holds shares in us and in other shipping ventures. He graduated with a degree in business, with a major in transportation and logistics and a minor in accounting, from the University of British Columbia in Vancouver, British Columbia.

**Peter S. Shaerf.** Peter S. Shaerf was elected as a director in August 2005, is chair of the conflicts committee and during 2010 was chair of 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 of 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 specializes in the dry cargo and liner shipping industry. 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 TBS International and General Maritime Corporation. Mr. Shaerf is chairman of New York Maritime Inc. (NYMAR), a leading global trade association that promotes New York as a maritime center. Mr. Shaerf holds a B.A. degree in international business law from the London Metropolitan University.

## **Board Practices**

### *General*

Our board of directors currently consists of ten members. Except for George H. Juetten and Harald H. Ludwig, who were appointed by our Series A preferred shareholders in July 2009 and August 2012, respectively, and who do not belong to a class of directors, the board of directors is divided into the following three classes, with members of each class elected to hold office for a term of three years in accordance with the classification indicated below and until his successor is elected and qualified:

- n Our Class I directors are Kyle R. Washington, David Lyall and Nicholas Pitts-Tucker and their term expires in 2015;
- n Our Class II directors are Gerry Wang, Peter Lorange and Graham Porter and their term expires in 2013; and
- n Our Class III directors are Peter S. Shaerf and John C. Hsu and their term expires in 2014.

Gerry Wang, our co-chairman and chief executive officer, has entered into an amended and restated employment agreement with us which provides for certain severance benefits. For additional information regarding this arrangement with Mr. Wang, please read [Certain Relationships and Related Party Transactions](#), [Employment Agreement and Other Related Agreements with Gerry Wang](#) and [Summary Recent Developments Amended and Restated Employment Agreement with CEO Gerry Wang](#).

Our board of directors has determined that each of the current members of the 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





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management. Peter Lorange, who was previously an officer of certain of our subsidiary companies on an interim basis, resigned from that appointment on April 25, 2010 and was replaced with Mr. Porter. Our board of directors has determined that Mr. Lorange has no material relationship with us either directly or as a partner, shareholder or officer of an organization that has a relationship with us. The board of directors has also determined that, in spite of his prior interim service as an officer of certain of our subsidiary companies, Mr. Lorange is independent from our management.

### ***Committees***

The board of directors has the following three committees: audit committee, compensation and governance committee, and conflicts committee. The membership of these committees and the function of each of the committees are described below. Prior to July 2012, the board of directors had separate compensation and nominating and corporate governance committees, which were combined to form the current compensation and governance committee. 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).

Our audit committee is composed entirely of directors who currently satisfy applicable NYSE and SEC audit committee independence standards. Our audit committee members are George H. Juetten, John C. Hsu and Nicholas Pitts-Tucker. All members of the committee are financially literate, and the board of directors has determined that all members qualify as financial experts. The audit committee assists the board of directors in fulfilling its responsibilities for general oversight of: the integrity of our consolidated financial statements; our compliance with legal and regulatory requirements; the independent auditors' qualifications and independence; and the performance of our internal audit function and independent auditors.

Our compensation and governance committee is composed entirely of directors who currently satisfy applicable NYSE independence standards. Our compensation and governance committee members are John C. Hsu, Nicholas Pitts-Tucker, George H. Juetten and Peter S. Shaerf. The compensation and governance committee: reviews, evaluates and approves our agreements, plans, policies and programs to compensate our officers and directors; produces a report on executive compensation and publishes the report in our SEC annual report; otherwise discharges the board of directors' responsibilities relating to the compensation of our officers and directors; advises the board of directors and makes recommendations regarding appropriate corporate governance practices, and assists the board of directors in implementing those practices; oversees annual performance evaluations of the directors; and performs such other functions as the board of directors may assign the committee from time to time.

Our conflicts committee is composed entirely of directors who we have deemed independent of management. Our conflicts committee members are Peter S. Shaerf, David Lyall, Peter Lorange and Nicholas Pitts-Tucker. The conflicts committee reviews and approves transactions between us and our directors, our officers and other related parties for potential conflicts of interest on an ongoing basis.

### ***Exemptions from NYSE Corporate Governance Rules***

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

U.S. issuers 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 and governance committee that consists of four directors, all of whom currently satisfy NYSE standards for independence.

**Table of Contents****CERTAIN RELATIONSHIPS AND 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 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 the Vehicle. We may enter into related party transactions from time to time in the future. In January 2009, we established a conflicts committee, composed entirely of directors our board of directors have deemed independent of management, 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 the Vehicle, GC Industrial (which is owned by affiliates of The Carlyle Group and the Tiger Member), and the Tiger Member. Until we acquired it in January 2012, Mr. Wang had an ownership interest in our Manager, together with affiliated entities of Graham Porter, Kyle R. Washington and his brother Kevin L. Washington. Please read [Our Management Agreements](#) and [Acquisition of Seaspan Management Services Limited](#). In addition, Mr. Wang serves as chairman of the board of managers of the Vehicle and is a voting member of the Transaction Committee of the Vehicle. Please read [Our Investment in Carlyle Containership-Focused Investment Vehicle](#).

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. Affiliated entities of Kyle R. Washington and of his brother Kevin L. Washington had ownership interests in our Manager prior to our acquisition of it in January 2012. The Washington Member has an interest in the Vehicle and an indirect economic interest in certain incentive distributions received by GC Industrial from the Vehicle, and the Vehicle 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 Offer Agreements](#) [Washington Member Right of First Refusal](#). Mr. Washington serves on the board of the Vehicle as the representative of the Washington Member and is a non-voting member of the Transaction Committee of the Vehicle.

Graham Porter is one of our directors. In March 2011, we entered into an agreement with Mr. Porter, Seaspan Advisory Services Limited and SSML that terminated a restrictive covenant agreement dated August 8, 2005, including the remainder of Mr. Porter's post-employment two-year non-competition restriction. An affiliated entity of Mr. Porter had ownership interests in our Manager until our acquisition of our Manager in January 2012, and 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 the Vehicle. Please read [Our Investment in Carlyle Containership-Focused Investment Vehicle](#) [Greater China Intermodal Investments LLC Agreement](#) [Services Agreements](#). Mr. Porter has an indirect economic interest in certain incentive distributions received by GC Industrial from the Vehicle. Please read [Our Investment in Carlyle Containership-Focused Investment Vehicle](#) [Greater China Intermodal Investments LLC Agreement](#) [Distributions](#). Mr. Porter also serves on the board of managers of the Vehicle and is a voting member of the Transaction Committee of the Vehicle. 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](#).

**Major Shareholder**

As of September 30, 2012, entities controlled by or affiliated with Dennis R. Washington or his sons Kyle R. Washington and Kevin L. Washington beneficially owned in the aggregate approximately 36.6% of our outstanding Class A common shares and 90% of our outstanding Series A Preferred Shares, which represented in the aggregate approximately 49.4% of our total voting power as of that date. As of September 30, 2012, other shareholders unaffiliated with the Washingtons also individually beneficially owned securities representing over 5% of our total voting power.

**Table of Contents****Acquisition of Seaspan Management Services Limited**

In January 2012, we acquired our Manager, and we acquired and cancelled all of the issued and outstanding shares of our Class C common stock, which were owned by a subsidiary of our Manager. Prior to the acquisition, our Manager was owned 50.05% by trusts established for sons of Dennis R. Washington, including Kyle R. Washington, our co-chairman, and 49.95% by an entity indirectly owned by Graham Porter, one of our directors, and Gerry Wang, our co-chairman, co-founder and chief executive officer.

The purchase price for the acquisition included a base purchase price of \$54 million and adjustments for settlement of intercompany balances, plus additional payments, each a Fleet Growth Payment, as described below, for each newbuilding or existing containership ordered or acquired or leased (for a period of at least five years) after December 12, 2011 and prior to August 15, 2014 by us, the Vehicle or the Washington Member, or by affiliates of any such parties, and which containerships are to be managed by our Manager or one of our controlled affiliates after the acquisition.

The base purchase price was paid and any Fleet Growth Payments are paid in shares of our Class A common stock, in each case valued on a per share basis equal to \$12.794, being the volume-weighted average trading price of the Class A common stock for the 90 trading days immediately preceding the closing date of the acquisition, or the Per Share Value. For each qualifying containership ordered, acquired or leased, the related Fleet Growth Payment includes the issuance of 39,081 shares (equal to the quotient of \$0.5 million divided by the Per Share Value). Fleet Growth Payments are paid quarterly, based on newbuilding orders or existing vessel acquisitions that occur during a quarter.

Shares of Class A common stock issued to the owners of our Manager in payment for the base purchase price are subject to graduated four-year lock-up agreements. Shares issued in connection with Fleet Growth Payments are not subject to lock up agreements. Under the lock up agreements, the owners and certain of their affiliates are restricted from transferring 100% of these shares for one year, 75% of such shares for two years, 50% of such shares for three years, and 25% of such shares for four years from our acquisition of our Manager. The owners of our Manager are permitted to transfer all shares from the acquisition among themselves and to Deep Water Holdings, LLC, or Deep Water, which is our largest shareholder and is controlled by Dennis R. Washington.

The conflicts committee of our board of directors, which committee is composed of independent directors, with the assistance of financial and legal advisors, reviewed and approved the acquisition of our Manager on the terms described above.

**Management Agreements**

Substantially all of the management services for our vessels are provided by our Manager and its subsidiaries. The Manager was owned, prior to our acquisition of it in January 2012, by affiliates of Kyle R. Washington, Gerry Wang and Graham Porter. Prior to the acquisition, we incurred the following aggregate costs under our management agreements with our Manager and its subsidiaries:

	JANUARY 1 - 27, 2012	2011	YEAR ENDED DECEMBER 31,	
			2010	2009
Technical services	\$ 9,712,000	\$ 135,381,000	\$ 108,046,000	\$ 81,844,000
Administrative and strategic services	5,000	72,000	72,000	72,000
Reimbursed expenses	305,000	4,074,000	3,087,000	2,458,000
Newbuilding construction supervision (under fixed fee arrangements of \$250,000 to \$350,000 per vessel)	100,000	2,056,000	1,864,000	3,106,000

**Table of Contents****Our Investment in Carlyle Containership-Focused Investment Vehicle**

Formed in March 2011, the Vehicle invests primarily in newbuilding and secondhand maritime containership assets that are primarily strategic to Greater China. The members of the Vehicle are (i) Seaspan Investment I Ltd., a subsidiary of us, or the Seaspan Member, (ii) the Washington Member, (iii) the Tiger Member and (iv) GC Industrial. As of November 15, 2012, the Vehicle had ordered four newbuilding vessels, which are scheduled for delivery during 2014 and 2015 and are subject to long-term time-charter contracts with Hanjin.

We currently have an ownership interest in the Vehicle of approximately 11% and have agreed to invest up to a total of \$100 million in the Vehicle. As of September 30, 2012, our investment in the Vehicle totaled approximately \$0.6 million.

***Services Agreements.***

We, the Tiger Member and Carlyle have each agreed to provide certain services to GC Intermodal Operating Company, a subsidiary of the Vehicle. Pursuant to a management agreement, we will provide technical and commercial management services with respect to the vessel investments made by the Vehicle 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 the Vehicle with financial and strategic advisory services pursuant to a management agreement. The Tiger Member generally is entitled to (1) charter fees equal to 1.0% of the monthly gross charter revenue from the Vehicle vessels, (2) transaction fees equal to 0.80% of the purchase or sales price of vessel or newbuilding contracts, payable upon delivery of the vessel and (3) 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.

***Rights of First Refusal and First Offer***

We have a right of first refusal relating to the Vehicle's containership investment opportunities, or Container Investment Opportunities. We believe that all Containership Investment Opportunities identified by Gerry Wang, our chief executive officer and the chairman of the board of managers of the Vehicle, will run through the right of first refusal. We may exercise this right until March 31, 2015, 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. Please read [Termination of Right of First Refusal](#). 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 the Vehicle. In addition, we have rights of first offer relating to certain containerships that the Vehicle 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 may exercise our right of first refusal with respect to 100% of the vessels comprising Container Investment Opportunities, and on or after August 15, 2014 with respect to a number of vessels (not to exceed 100% of the vessels comprising such Container Investment Opportunity) equal to the sum of:

- n 50% of the vessels comprising a Container Investment Opportunity plus
- n a number of vessels equal to:
  - n (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 negotiated vessel contracts and, if applicable, time-charter 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
  - n (b) the excess of:

- n (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

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

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.

*Termination of Right of First Refusal*

Our right of first refusal will terminate upon the earlier of:

- n March 31, 2015;
- n the date on which the Vehicle is dissolved or liquidated;
- n the Vehicle's election to terminate, given in writing to us and the Washington Member at any time after any of August 15, 2011, 2012, 2013 or 2014, 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 the Vehicle of such event, the Vehicle 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;
- n consummation of an initial public offering of any equity securities of the Vehicle 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 the Vehicle 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 the Vehicle or of assets representing at least 75% of the consolidated net asset value of the Vehicle and its subsidiaries.

*Rights of First Offer*

We have certain rights of first offer if the Vehicle intends to sell or otherwise dispose of one or more containerships (other than in connection with an initial public offering or a sale of the Vehicle). If the Vehicle 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 on Vehicle vessels, and applies to certain transfers or sales of any containerships acquired by the Washington Member pursuant to its right of first refusal from the Vehicle. The Washington Member right of first offer terminates after 10 years.

For more information about the Vehicle, our rights of first refusal and first offer, and other agreements that we entered into in connection with our investment in the Vehicle, please read Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Agreements Related to Our Investment in Carlyle Containership-Focused Investment Vehicle in our annual report on Form 20-F for the year ending December 31, 2011.

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

Mr. Wang serves as our chief executive officer and has served as the chief executive officer of SSML. In March 2011, in connection with our investment in the Vehicle, Mr. Wang's agreement with SSML was amended and restated and we entered into an employment agreement and a transaction services agreement with Mr. Wang. As described above under Summary Recent Developments Amended and Restated Employment Agreement with CEO Gerry Wang, we are entering into amended and restated employment and transaction services agreements with Mr. Wang, which agreements supersede our existing employment and transaction services agreements with him, and Mr. Wang's employment agreement with SSML is terminating.

Pursuant to our amended employment agreement with Mr. Wang, he continues to serve as our chief executive officer, with the term of Mr. Wang's employment with us extended until the termination of our right of first refusal with the Vehicle, which is scheduled to expire on

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March 31, 2015, unless earlier terminated. 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 the Vehicle. Please read Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Agreements Related to Our Investment in Carlyle Containership-Focused Investment Vehicle Rights of First Refusal and First Offer Agreements in our annual report on Form 20-F for the year ending December 31, 2011 for more information.

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Mr. Wang's amended 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. As of December 1, 2012, Mr. Wang had received transaction fees of approximately \$0.5 million.

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. For additional information about these SARs, please read [Summary Recent Developments Amended and Restated Employment Agreement with CEO Gerry Wang](#).

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 the Vehicle, GC Industrial and the Tiger Member. Pursuant to our employment agreement with him, 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 the Vehicle 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 the Vehicle is terminated, Mr. Wang has agreed to resign from our board of directors at our request. Under Mr. Wang's employment agreement with us, the restrictive covenant agreement, dated August 8, 2005, among SSML, us and Mr. Wang, was terminated, including a post-employment two-year non-competition restriction.

Upon any termination of Mr. Wang's employment agreement with us before termination of our right of first refusal with the Vehicle, he will continue to provide certain strategic services pursuant to the amended 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 our omnibus agreement (which contains exceptions for the provision of services to the Vehicle and GC Industrial, among other entities), 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 the Vehicle, which is scheduled to expire on March 31, 2015, unless earlier terminated.

A total of 1,397,190 of our common shares owned by Mr. Wang and certain of his family members and affiliates are subject to a four-year lock-up agreement entered into in March 2011 in connection with our investment in the Vehicle. Under this lock-up agreement, Mr. Wang and such other parties agreed to restrict the transfer of 50% of their then existing shares for three years, and 25% of such shares for a fourth year, in each case commencing March 14, 2011.

We have agreed to register the shares Mr. Wang earns under his employment agreement and the transaction services agreement with the SEC. Please read [Registration Rights Agreements](#).

**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. During the years ended December 31, 2009, 2010 and 2011 and for the nine months ended



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September 30, 2012, we paid aggregate consulting and arrangement fees of \$0.2 million, \$1.7 million, \$1.9 million and \$1.8 million, respectively, to Tiger Group and Tiger Ventures Limited.

### **Change of Control Plan**

We established a change of control severance plan, or the Change of Control Plan, for certain employees of 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. For more information on the Change of Control Plan, please read Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Change of Control Plan in our annual report on Form 20-F for the year ending December 31, 2011.

### **Registration Rights Agreements**

In connection with our initial public offering, we agreed to register for resale on a shelf registration statement under the Securities Act and applicable state securities laws, any subordinated shares proposed to be sold by the holders of the subordinated shares (or the underlying common shares upon their conversion) upon expiration of a certain holding period if an exemption from the registration requirements is not otherwise available or advisable. These holders also have certain 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. We are obligated to pay all expenses incidental to the registration, excluding underwriting discounts and commissions.

In connection with the Series A Preferred Share offering described below, we entered into a registration rights agreement pursuant to which, in certain circumstances, we will be obligated to file a registration statement covering the potential sale by a holder of the common shares that are issuable upon the conversion of the Series A Preferred Shares unless the sum of the common shares held by such holder as a result of the conversion can be sold in a single transaction under Rule 144 of the Securities Act. These holders also have certain piggyback registration rights allowing them to participate in offerings by us to the extent that their participation does not interfere with or impede such offering. Under this agreement, we are obligated to pay all expenses incidental to the registration, excluding underwriting discounts or commissions.

In March 2011, in connection with our investment in the Vehicle, we also entered a transaction services agreement with Gerry Wang and a financial services agreement with Tiger Ventures Limited, pursuant to which we entered into registration rights agreements with each of Mr. Wang and Tiger Ventures Limited. Please read Employment Agreement and Other Related Agreements with Gerry Wang and Arrangement and Fees with Tiger Group Entities for more information. Under these registration rights agreements, in certain circumstances we will be obligated to file a registration statement covering the potential sale by Mr. Wang or Tiger Ventures Limited of the common shares earned pursuant to the transaction services agreement or financial services agreement, as applicable. Mr. Wang and Tiger Ventures Limited also have certain piggyback registration rights allowing them to participate in offerings by us to the extent that their participation does not interfere with or impede such offering. Under these agreements, we are obligated to pay all expenses incidental to the registration, excluding underwriting discounts or commissions. We intend to grant similar registration rights to Mr. Wang in connection with our grant to him of SARs. Please read Summary Recent Developments Amended and Restated Employment Agreement with CEO Gerry Wang for more information.

In January 2012, in connection with the acquisition of our Manager, we entered into a registration rights agreement pursuant to which we are obligated to register for resale under the Securities Act all shares of our common stock issued to the former owners of the Manager in connection with the acquisition, including any shares issued as Fleet Growth Payments. Please read Acquisition of Seaspan Management Services Limited.

### **Series A Preferred Share Offering**

In January 2009, we entered into various documents and agreements in connection with the issuance and sale of \$200 million of our Series A Preferred Shares to certain investors, including entities affiliated with Kyle R. Washington, the co-chairman of our board of directors, Graham Porter, one of our directors, and Dennis R. Washington, who controls our largest shareholder. For more information about our Series A Preferred Shares, please read Description of Capital Stock Preferred Stock Series A Preferred Shares.

**Table of Contents****FINANCING FACILITIES**

The following table summarizes our credit facilities and lease obligations as of September 30, 2012.

DESCRIPTION	AMOUNT OUTSTANDING (millions)	AMOUNT COMMITTED (millions)	AMOUNT AVAILABLE (millions)
<i>Credit Facilities</i>			
\$1.0 billion credit facility <sup>(1)</sup>	\$ 1,032.7	\$ 1,032.7	\$
\$920.0 million revolving credit facility	890.3	920.0	29.7
\$365.0 million revolving credit facility Tranche A	62.1	62.1	
\$365.0 million revolving credit facility Tranche B	244.6	244.6	
\$291.2 million credit facility	265.3	265.3	
\$235.3 million credit facility	221.0	221.0	
\$223.8 million credit facility (limited recourse to Seaspan Corporation)		223.8	223.8
\$218.4 million credit facility	217.7	217.7	
\$150.0 million credit facility (non-recourse to Seaspan Corporation)	148.4	148.4	
\$150.0 million revolving credit facility <sup>(2)</sup>		150.0	75.0
\$5.0 million line of credit		5.0	5.0
\$15.0 million term loans	15.0	15.0	
<b>Total Credit Facilities</b>	<b>\$ 3,097.1</b>	<b>\$ 3,505.6</b>	<b>\$ 333.5</b>
<i>Lease Facilities</i>			
\$400.0 million lease (limited recourse to Seaspan Corporation) <sup>(3)</sup>	\$ 400.0	\$ 400.0	\$
\$150.0 million lease (non-recourse to Seaspan Corporation) <sup>(4)</sup>	107.0	107.0	
\$150.0 million lease (non-recourse to Seaspan Corporation) <sup>(4)</sup>	137.4	137.4	
<b>Total Lease Facilities</b>	<b>\$ 644.4</b>	<b>\$ 644.4</b>	
<b>Total Credit and Lease Facilities</b>	<b>\$ 3,741.5</b>	<b>\$ 4,150.0</b>	<b>\$ 333.5</b>

<sup>(1)</sup> In July 2012, we amended our \$1.3 billion credit facility to (i) reduce the lenders' commitment from \$1.3 billion to \$1.0 billion, or by \$267.0 million (the undrawn amount under the facility) and (ii) change the formula for the amount we would be required to repay on the removal of a vessel serving as collateral under the facility.

<sup>(2)</sup> We have removed one of the two vessels under this facility and are therefore only able to borrow up to the greater of \$75.0 million and 65% of the vessel delivered costs.

<sup>(3)</sup> The lessor has funded the \$400.0 million committed amount.

<sup>(4)</sup> Amounts outstanding are owed by a wholly owned subsidiary of Seaspan Corporation and are non-recourse to Seaspan Corporation.

**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 64 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

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for the vessels and assignments of management agreements for the vessels.

As of September 30, 2012, our revolving credit facilities and term loans provided for borrowings of up to approximately \$3.5 billion, of which approximately \$3.1 billion was outstanding and \$333.5 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 0.85% as of September 30, 2012. 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 or where the ratio of the loan-to-market value of the remaining collateral vessels exceeds a certain percentage. Amounts prepaid in accordance with these provisions may be reborrowed, subject to certain conditions.

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Interest payments on our term loans, excluding three term loans totaling \$15.0 million, are based on either LIBOR plus margins, which ranged between 0.35% and 4.75% as of September 30, 2012 or, for a portion of one of our term loans, KEXIM plus margins, which was 0.65% as of September 30, 2012. 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 vessel. Amounts prepaid in accordance with these provisions may not be reborrowed.

***Our Lease Facilities***

As at September 30, 2012, we had lease obligations of approximately \$661.5 million. Under our lease agreements, subject to payment of a termination fee in certain circumstances, the lessee may voluntarily terminate a lease agreement, other than our \$53.0 million lease, during or after the construction period if the lease transactions are determined to be economically or commercially burdensome. The lessee is also required to prepay rental amounts, broken funding costs and other costs to the lessor in certain circumstances, including, among others, a change in law which results in the lessor incurring a material liability or increased liability arising out of its ownership of the vessel beyond its liabilities on the commencement date of the lease and that does not entitle the lessor to increase the rental payment.

One of our subsidiaries is a party, as lessee, to lease agreements with Peony Western Leasing Limited, as lessor, for a lease facility used to finance the acquisition of five 4500 TEU vessels. The lessor has retained title to the vessels and remains our subsidiary's counterparty but has transferred its entire leasing business to its parent company. All of those vessels have been delivered and have commenced operations under 12-year fixed-rate time charters with K-Line. Our subsidiary is a party to each of the time charters with K-Line, and we have guaranteed the performance of its obligations to K-Line. Our subsidiary's obligations under this facility are secured by a general assignment of earnings (including under the time charters for the vessels), insurances and requisition hire for each vessel, and a corporate guarantee issued by us that is limited to a fixed amount of the obligations. In connection with this guarantee, we have placed \$60.0 million of restricted cash in a deposit account over which the lessor has a first priority interest, and we have assigned to the lessor the earnings (including under the time charters for the vessels) and requisition hire for each vessel.

In February 2010, we entered into a sale-leaseback transaction with an affiliate of a leading Chinese bank for a 12-year sale-leaseback of one of our 13100 TEU new building vessels in an amount equal to the lower of \$150.0 million or 80% of the delivery valuation amount. This transaction involves a vessel that we had previously contracted to purchase from Hyundai Heavy Industries Co., Ltd., or HHI, and is now under a time charter with COSCON. Following the sale, the purchaser chartered the vessel to one of our subsidiaries and our subsidiary sub-chartered the vessel to us through an inter-company operating charter. We continue to time charter the vessel to COSCON in accordance with the terms of our original time charter. The subsidiary's financial indebtedness under the transaction is non-recourse to Seaspan Corporation.

In October 2010, one of our subsidiaries entered into a sale-leaseback transaction for one of our 13100 TEU newbuilding vessels with an affiliate of Credit Agricole CIB. This transaction involves a vessel that we had previously contracted to purchase from HHI and is now under a time charter with COSCON. Following the sale, the affiliate of Credit Agricole CIB chartered the vessel to one of our subsidiaries and our subsidiary sub-chartered to us through an inter-company operating charter. We continue to time charter the vessel to COSCON in accordance with the terms of our original time charter.

In October 2011, one of our subsidiaries entered into a financing transaction with a leading U.S. bank for the Madinah, one of our 4250 TEU vessels. The vessel was sold to one of our indirect subsidiaries, funded by a \$53 million mortgage-secured term loan from an affiliate of the U.S. bank, leased by our subsidiary to us, and we time chartered the vessel to United Arab Shipping Company (S.A.G.), or UASC, in accordance with the terms of our original time charter. In June 2012, UASC returned the vessel to us, and we sold the vessel to the U.S. bank for the amount outstanding under the term loan. The vessel is being leased back to our subsidiary for approximately nine years and is chartered to Yang Ming for a period of up to seven months.

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**Certain Terms under our Credit 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:

- n allow liens to be placed on the collateral securing the facility;
- n enter into mergers with other entities;
- n conduct material transactions with affiliates; or
- n 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, those that require Seaspan Corporation to maintain:

- n a tangible net worth in excess of \$450 million;
- n total borrowings at less than 65% of total assets (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);
- n cash on hand and cash equivalents of \$25 million if at any time more than 50% of the collateral vessels are subject to time charters having a remaining term of one year or less;
- n a net interest coverage ratio greater than 2.50 to 1.0; and
- n an interest and principal coverage ratio greater than or equal to 1.1 to 1.0, all as calculated in accordance with the relevant facility agreement.

Our credit and lease facilities contain customary events of default, including, among others, for non-payment of principal or interest, breach of covenants, material inaccuracy of representations, default under other material indebtedness and bankruptcy events.

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**DESCRIPTION OF CAPITAL STOCK**

The following is a description of certain material terms of our Articles of Incorporation. For additional information, we refer you to our Articles of Incorporation, which are incorporated by reference into this prospectus.

Under our Articles of Incorporation, our authorized shares consist of 200,000,000 Class A common shares, par value \$0.01 per share, 25,000,000 Class B common shares, par value \$0.01 per share, 100 Class C common shares, par value \$0.01 per share, and 65,000,000 shares of preferred shares, par value \$0.01 per share. As of November 15, 2012, a total of 200,000 Series A Preferred Shares, no Series B Preferred Shares, 14,000,000 Series C Preferred Shares, no Series D Preferred Shares, 63,009,069 Class A common shares and no Class B common shares and no Class C common shares were issued and outstanding.

**Preferred Stock**

***Preferred Shares***

Our Articles of Incorporation authorize our board of directors to establish one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including, among other things:

- n the designation of the series;
  
- n the number of shares in the series;
  
- n the dividend terms and conditions of the series;
  
- n any redemption rights of, or sinking fund for, the series;
  
- n the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the affairs of our company;
  
- n whether the shares of the series will be convertible into any other security of our company or any other corporation, and, if so, the terms and conditions upon which the conversion may be made;
  
- n restrictions on the issuance of shares of the same series or of any other class or series; and
  
- n the voting rights, if any, of the holders of the series.

***Series A Preferred Shares***

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 is \$1,000 per share, subject to adjustment. No dividend is payable in respect of the Series A Preferred Shares until March 31, 2014. Instead, the liquidation preference of the Series A Preferred Shares increases at a rate of 12% per annum until January 31, 2014, compounded quarterly. If on January 31, 2014, the Series A Preferred Shares have not converted into Class A common shares, the liquidation preference of the Series A Preferred Shares will increase at a rate of 15% per annum, compounded quarterly. Commencing on March 31, 2014, the holders of our Series A Preferred Shares may elect to receive cash dividends in lieu of such guaranteed

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increases in liquidation preference. The Series A Preferred Shares will automatically convert into Class A common shares at a conversion price of \$15.00 per share at any time on or after January 31, 2014 if the average closing price of the trailing 30 trading days of the Class A common shares is equal to or greater than \$15.00 per share. If at any time on or after January 31, 2014, the average closing price over the trailing 30 trading days of our Class A common shares is less than \$15.00 per share, we have the option to convert the Series A Preferred Shares at a conversion price of \$15.00 per share and pay the holders of the Series A Preferred Shares 115% of the difference between the conversion price and average closing price of the trailing 30 trading days of the Class A common shares, payable in cash or Class A common shares at our option.

Upon any liquidation or dissolution of us, holders of the Series A Preferred Shares are generally entitled to receive the cash value of the liquidation preference of the Series A Preferred Shares, including any accrued but unpaid dividends, after satisfaction of all liabilities to our creditors but before any distribution is made to or set aside for the holders of junior stock, including our Series C and D Preferred Shares and Class A common shares.

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In general, the holders of the Series A Preferred Shares are entitled to vote together with the holders of Class A common shares on an as-converted basis on any matter submitted for a vote of Class A common shares. In addition, the holders of the Series A Preferred Shares, voting as a separate class, have the right to approve: any future issuance of senior or parity stock (except that we may freely issue additional Series A Preferred Shares up to an aggregate amount of \$115 million); certain redemptions of our capital stock; certain amendments of our Articles of Incorporation, bylaws or the statement of designation for the Series A Preferred Shares; or any share exchange, reclassification, merger, consolidation, liquidation, dissolution, sale or other disposition of all or substantially all of our assets. In addition, subject to certain exceptions, the holders of the Series A Preferred Shares have preemptive rights to prevent dilution and the right to elect up to two members of our board of directors, who are currently George H. Juetten and Harald H. Ludwig.

### ***Series B Preferred Shares***

In May 2010, we issued 260,000 Cumulative Series B Preferred Shares to Jaccar Holdings Limited, an investor related to shipbuilder Zhejiang Shipbuilding Co. Ltd, for \$26.0 million. In November 2011, we repurchased all of our outstanding Series B Preferred Shares.

### ***Series C Preferred Shares***

In January 2011, we issued 10,000,000 of our 9.50% Series C Cumulative Redeemable Perpetual Preferred Shares. In May 2011, we issued an additional 4,000,000 Series C Preferred Shares. The initial liquidation preference of the Series C Preferred Shares is \$25 per share, subject to adjustment. The shares are redeemable by us at any time on or after January 30, 2016. The shares carry an annual dividend rate of 9.5% per \$25 of liquidation preference per share, subject to increase if (i) we fail to comply with certain covenants, (ii) we experience certain defaults under any of our credit facilities, (iii) four quarterly dividends payable on the Series C Preferred Shares are in arrears or (iv) the Series C Preferred Shares are not redeemed in whole by January 30, 2017. The Series C Preferred Shares represent perpetual equity interests in us and, unlike our indebtedness but like our Series D Preferred Shares, do not give rise to a claim for payment of a principal amount at a particular date. As such, the Series C Preferred Shares rank junior to all of our indebtedness and other liabilities with respect to assets available to satisfy claims against us, and *pari passu* with the Series D Preferred Shares. Upon any liquidation or dissolution of us, holders of the Series C Preferred Shares will generally be entitled to receive the cash value of the liquidation preference of the Series C Preferred Shares, plus an amount equal to accumulated and unpaid dividends, after satisfaction of all liabilities to our creditors and holders of the Series A Preferred Shares, but before any distribution is made to or set aside for the holders of junior stock, including our Class A common shares. The Series C Preferred Shares are not convertible into common shares or other of our securities, do not have exchange rights and are not entitled to any preemptive or similar rights.

### ***Series D Preferred Shares***

The Series D Preferred Shares offered hereby are a new series of shares. Please read [Description of Series D Preferred Shares](#) for a description of the terms of these shares.

### **Common Stock**

Our Class A common shares are our only outstanding class of common shares.

### ***Dividends***

Under our Articles of Incorporation, our Class A common shares may receive quarterly dividends. Declaration and payment of any dividend is subject to the discretion of our board of directors. The time and amount of dividends will depend upon our financial condition, our operations, our cash requirements and availability, debt repayment obligations, capital expenditure needs, restrictions in our debt instruments, industry trends, the provisions of Marshall Islands law affecting the payment of distributions to shareholders and other factors. The BCA generally prohibits the payment of dividends other than from paid-in capital in excess of par value and our earnings or while we are insolvent or would be rendered insolvent on paying the dividend.

In February 2011, our board of directors adopted a progressive dividend policy aimed at increasing our dividends in a manner that preserves our long-term financial strength and our ability to expand our fleet. This policy is intended to increase dividends paid to holders of our Class A common shares, while continuing to permit us to pursue our growth strategy. It is our goal to increase our dividend through accretive acquisitions of additional vessels; however, there can be no assurance that we will be successful in meeting our goal.



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*Voting*

The Class A common shares each have one vote. A majority of the Class A common shares, including Class A common shares issuable on an as-converted basis under the Series A Preferred Shares, constitutes a quorum at meetings of the shareholders.

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**DESCRIPTION OF SERIES D PREFERRED SHARES**

*The following description of the Series D Preferred Shares does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of our Articles of Incorporation, including the Statement of Designation designating the Series D Preferred Shares, or the Statement of Designation, and setting forth the rights, preferences and limitations of the Series D Preferred Shares. We will file the Statement of Designation with the Registrar of Corporations of the Republic of The Marshall Islands. A copy of the Statement of Designation may be obtained from us as described under [Where You Can Find Additional Information](#).*

**General**

The Series D Preferred Shares offered hereby are a new series of preferred shares. Upon completion of this offering, there will be 20,000,000 Series D Preferred Shares authorized, and 2,700,000 issued and outstanding (or approximately 3,105,000 Series D Preferred Shares issued and outstanding if the underwriters exercise their option to purchase additional shares in full). We may, without notice to or consent of the holders of the then-outstanding Series D Preferred Shares, authorize and issue additional Series D Preferred Shares as well as Parity Securities and Junior Securities (each as defined under [Summary The Offering Ranking](#) ) and, subject to the further limitations described under [Voting Rights, Senior Securities](#) (as defined under [Summary The Offering Ranking](#) ).

The holders of our common shares are entitled to receive, to the extent permitted by law, such dividends as may from time to time be declared by our board of directors. Upon any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, the holders of our common shares are entitled to receive distributions of our assets, after we have satisfied or made provision for our debts and other obligations and for payment to the holders of shares of any class or series of capital stock (including the Series D Preferred Shares) having preferential rights to receive distributions of our assets. Please read [Description of Capital Stock](#).

The Series D Preferred Shares will entitle the holders thereof to receive cumulative cash dividends when, as and if declared by our board of directors out of legally available funds for such purpose. When issued and paid for in the manner described in this prospectus supplement, the Series D Preferred Shares offered hereby will be fully paid and nonassessable. Each Series D Preferred Share will have a fixed liquidation preference of \$25.00 per share plus an amount equal to accumulated and unpaid dividends thereon to the date fixed for payment, whether or not declared. Please read [Liquidation Rights](#).

The Series D Preferred Shares will represent perpetual equity interests in us and, unlike our indebtedness, will not give rise to a claim for payment of a principal amount at a particular date. As such, the Series D Preferred Shares will rank junior to all of our indebtedness and other liabilities with respect to assets available to satisfy claims against us.

All the Series D Preferred Shares offered hereby will be represented by a single certificate issued to the Securities Depository (as defined below) and registered in the name of its nominee and, so long as a Securities Depository has been appointed and is serving, no person acquiring Series D Preferred Shares will be entitled to receive a certificate representing such shares unless applicable law otherwise requires or the Securities Depository resigns or is no longer eligible to act as such and a successor is not appointed. Please read [Book-Entry System](#).

The Series D Preferred Shares will not be convertible into common shares or other of our securities and will not have exchange rights or be entitled or subject to any preemptive or similar rights. The Series D Preferred Shares will not be subject to mandatory redemption or to any sinking fund requirements. The Series D Preferred Shares will be subject to redemption, in whole or in part, at our option commencing on January 30, 2018. Please read [Redemption](#).

We have appointed American Stock Transfer & Trust Company, LLC as the paying agent, or the Paying Agent, and the registrar and transfer agent, or the Registrar and Transfer Agent, for the Series D Preferred Shares. The address of the Paying Agent is 6201 15th Avenue, Brooklyn, New York 11219.

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### Ranking

Prior to this offering, we have established two other series of preferred shares.

- n *Series A Preferred Shares.* As of September 30, 2012, a total of 200,000 Series A Preferred Shares were issued and outstanding and an additional 115,000 shares were authorized to be issued. Dividends in respect of the Series A Preferred Shares are non-cash and accrue at a rate of 12% per annum until January 31, 2014. As of September 30, 2012, the aggregate stated liquidation preference of the Series A Preferred Shares, together with the aggregate amount of accrued and unpaid dividends, was \$296.9 million. The Series A Preferred Shares will automatically convert into Class A common shares at any time on or after January 31, 2014 if the trailing 30-day average trading price of the Class A common shares is equal to or above \$15.00 per share. If at any time on or after January 31, 2014, the trailing 30-day average trading price of the Class A common shares is less than \$15.00 per share, we have the option to convert the Series A Preferred Shares at a conversion price of \$15.00 per share and pay the holders 115% of the difference between the conversion price and the trailing 30-day average trading price of the Class A common shares. If the Series A Preferred Shares have not converted into Class A common shares on or after January 31, 2014, the dividend rate will increase to 15% per annum on such date. After March 31, 2014, the holders have the option to have the dividend paid in cash or to continue to increase the liquidation value of the Series A Preferred Shares by 15% per annum.
- n *Series C Preferred Shares.* As of September 30, 2012 a total of 14,000,000 Series C Preferred Shares were issued and outstanding. The Series C Preferred Shares are redeemable by us at any time and cash dividends accrue at a rate of 9.50% per annum per \$25.00 of liquidation preference per share, subject to increase. If (i) we fail to comply with certain covenants, (ii) we experience certain defaults under any of our credit facilities, (iii) four quarterly dividends payable on the Series C Preferred Shares are in arrears or (iv) the Series C Preferred Shares are not redeemed in whole by January 30, 2017, the dividend rate payable on the Series C Preferred Shares shall increase quarterly, subject to certain limitations, to a rate that is 1.25 times the dividend rate payable on the Series C Preferred Shares. The Series C Preferred Shares are not convertible into common shares and are not redeemable at the option of the holder.

The rights, preferences and limitations of the Series A Preferred Shares and the Series C Preferred Shares are described in more detail under Description of Capital Stock above.

The Series D Preferred Shares will, with respect to dividend distributions and distributions upon the liquidation, winding-up and dissolution of our affairs, rank:

- n senior to the Junior Securities;
- n on a parity with the Parity Securities; and
- n junior to the Senior Securities.

Under the Statement of Designation, we may issue Junior Securities from time to time in one or more series without the consent of the holders of the Series D Preferred Shares. Our board of directors has the authority to determine the preferences, powers, qualifications, limitations, restrictions and special or relative rights or privileges, if any, of any such series before the issuance of any shares of that series. Our board of directors will also determine the number of shares constituting each series of securities. Our ability to issue additional Parity Securities or Senior Securities is limited as described under Voting Rights.

### Liquidation Rights

The holders of outstanding Series D Preferred Shares will be entitled, in the event of any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, to receive the liquidation preference of \$25.00 per share in cash plus an amount equal to accumulated and unpaid dividends thereon to the date fixed for payment of such amount (whether or not declared), and no more, before any distribution will be

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made to the holders of our common shares or any other Junior Securities. A consolidation or merger of us with or into any other entity, individually or in a series of transactions, will not be deemed a liquidation, dissolution or winding up of our affairs for this purpose. In the event that our assets available for distribution to holders of the outstanding Series D Preferred Shares and any Parity Securities are insufficient to permit payment of all required amounts, our assets then remaining will be

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distributed among the Series D Preferred Shares and any Parity Securities, as applicable, ratably on the basis of their relative aggregate liquidation preferences. After payment of all required amounts to the holders of the outstanding Series D Preferred Shares and Parity Securities, our remaining assets and funds will be distributed among the holders of the common shares and any other Junior Securities then outstanding according to their respective rights.

**Voting Rights**

The Series D Preferred Shares will have no voting rights except as set forth below or as otherwise provided by Marshall Islands law. In the event that six quarterly dividends, whether consecutive or not, payable on the Series D Preferred Shares are in arrears, the holders of the Series D Preferred Shares will have the right, voting as a class together with holders of any other Parity Securities upon which like voting rights have been conferred and are exercisable (including holders of our Series C Preferred Shares), at the next meeting of shareholders called for the election of directors, to elect one member of our board of directors, and the size of our board of directors will be increased as needed to accommodate such change (unless the size of our board of directors already has been increased by reason of the election of a director by holders of Parity Securities upon which like voting rights have been conferred and with which the Series D Preferred Shares voted as a class for the election of such director). The right of such holders of Series D Preferred Shares to elect a member of our board of directors will continue until such time as all dividends accumulated and in arrears on the Series D Preferred Shares have been paid in full, at which time such right will terminate, subject to reversion in the event of each and every subsequent failure to pay six quarterly dividends as described above. Upon any termination of the right of the holders of the Series D Preferred Shares and any other Parity Securities (including the Series C Preferred Shares) to vote as a class for directors, the term of office of all directors then in office elected by such holders voting as a class will terminate immediately. Any directors elected by the holders of the Series D Preferred Shares and any other Parity Securities (including the Series C Preferred Shares) shall each be entitled to one vote per director on any matter before our board of directors.

Unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series D Preferred Shares, voting as a single class, we may not adopt any amendment to our Articles of Incorporation that adversely alters the preferences, powers or rights of the Series D Preferred Shares.

In addition, unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series D Preferred Shares, voting as a class together with holders of any other Parity Securities upon which like voting rights have been conferred and are exercisable (including holders of our Series C Preferred Shares), we may not:

- n issue any Parity Securities or Senior Securities (other than Series A Preferred Shares that are (i) authorized for issuance on the initial issue date of the Series D Preferred Shares and (ii) issued as dividends in respect of Series A Preferred Shares outstanding on the initial issue date of the Series D Preferred Shares or issued as dividends thereafter) if the cumulative dividends payable on outstanding Series D Preferred Shares are in arrears; or
- n create or issue any Senior Securities (other than Series A Preferred Shares that are (i) authorized for issuance on the initial issue date of the Series D Preferred Shares and (ii) issued as dividends in respect of Series A Preferred Shares outstanding on the initial issue date of the Series D Preferred Shares or issued as dividends thereafter).

On any matter described above in which the holders of the Series D Preferred Shares are entitled to vote as a class, such holders will be entitled to one vote per share. The Series D Preferred Shares held by us or any of our subsidiaries or affiliates will not be entitled to vote. As of September 30, 2012, there were 14,000,000 Series C Preferred Shares outstanding. Accordingly, after issuance of 2,700,000 Series D Preferred Shares in this offering (assuming the underwriters do not exercise their option to purchase additional shares), the Series D Preferred Shares will represent approximately 16.2% of the total voting power of the Series C Preferred Shares and the Series D Preferred Shares. Assuming that we issue 3,105,000 Series D Preferred Shares in this offering (assuming the underwriters exercise their option to purchase additional shares in full), the Series D Preferred Shares will represent approximately 18.2% of the total voting power of the Series C Preferred Shares and the Series D Preferred Shares.

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### **Dividends**

#### ***General***

Holders of Series D Preferred Shares will be entitled to receive, when, as and if declared by our board of directors out of legally available funds for such purpose, cumulative cash dividends from December 13, 2012.

#### ***Dividend Rate***

Dividends on Series D Preferred Shares will be cumulative, commencing on December 13, 2012, and payable on each Dividend Payment Date, commencing January 30, 2013, when, as and if declared by our board of directors or any authorized committee thereof out of legally available funds for such purpose. Dividends on the Series D Preferred Shares will accrue at a rate of 7.95% per annum per \$25.00 stated liquidation preference per Series D Preferred Share.

#### ***Dividend Payment Dates***

The Dividend Payment Dates for the Series D Preferred Shares will be each January 30, April 30, July 30 and October 30, commencing January 30, 2013. Dividends will accumulate in each dividend period from and including the preceding Dividend Payment Date or the initial issue date, as the case may be, to but excluding the applicable Dividend Payment Date for such dividend period, and dividends will accrue on accumulated dividends at the applicable dividend rate. If any Dividend Payment Date otherwise would fall on a day that is not a Business Day, declared dividends will be paid on the immediately succeeding Business Day without the accumulation of additional dividends. Dividends on the Series D Preferred Shares will be payable based on a 360-day year consisting of twelve 30-day months.

Business Day means a day on which The New York Stock Exchange is open for trading and which is not a Saturday, a Sunday or other day on which banks in New York City are authorized or required by law to close.

#### ***Payment of Dividends***

Not later than the close of business, New York City time, on each Dividend Payment Date, we will pay those dividends, if any, on the Series D Preferred Shares that have been declared by our board of directors to the holders of such shares as such holders' names appear on our stock transfer books maintained by the Registrar and Transfer Agent on the applicable Record Date. The applicable record date, or Record Date, will be the Business Day immediately preceding the applicable Dividend Payment Date, except that in the case of payments of dividends in arrears, the Record Date with respect to a Dividend Payment Date will be such date as may be designated by our board of directors in accordance with our bylaws then in effect and the Statement of Designations.

So long as the Series D Preferred Shares are held of record by the nominee of the Securities Depository, declared dividends will be paid to the Securities Depository in same-day funds on each Dividend Payment Date. The Securities Depository will credit accounts of its participants in accordance with the Securities Depository's normal procedures. The participants will be responsible for holding or disbursing such payments to beneficial owners of the Series D Preferred Shares in accordance with the instructions of such beneficial owners.

No dividend may be declared or paid or set apart for payment on any Junior Securities (other than a dividend payable solely in shares of Junior Securities) unless (a) full cumulative dividends have been or contemporaneously are being paid or provided for on all outstanding Series D Preferred Shares and any Parity Securities (including the Series C Preferred Shares) through the most recent respective dividend payment dates and (b) we are in compliance with the Net Worth to Preferred Stock Ratio described below under Net Worth Covenant. Accumulated dividends in arrears for any past dividend period may be declared by our board of directors and paid on any date fixed by our board of directors, whether or not a Dividend Payment Date, to holders of the Series D Preferred Shares on the record date for such payment, which may not be more than 60 days, nor less than 15 days, before such payment date. Subject to the next succeeding sentence, if all accumulated dividends in arrears on all outstanding Series D Shares and any Parity Securities (including the Series C Preferred Shares) have not been declared and paid, or sufficient funds for the payment thereof have not been set apart, payment of accumulated dividends in arrears will be made in order of their respective dividend payment dates, commencing with the earliest. If less than all dividends payable with respect to all Series D Preferred Shares and any Parity Securities (including the Series C Preferred Shares) are paid, any partial payment will be made pro rata with respect to the Series D Preferred Shares and any Parity Securities (including the Series C Preferred Shares) entitled to a dividend payment at such time in proportion to the aggregate amounts remaining due in respect of such shares at such time. Holders of the Series D Preferred



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Shares will not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends. Except insofar as dividends accrue on the amount of any accumulated and unpaid dividends as described under Dividends Dividend Rate, no interest or sum of money in lieu of interest will be payable in respect of any dividend payment which may be in arrears on the Series D Preferred Shares.

**Redemption**

***Optional Redemption***

Commencing on January 30, 2018, we may redeem, at our option, in whole or in part, the Series D Preferred Shares at a redemption price in cash equal to \$25.00 per share plus an amount equal to all accumulated and unpaid dividends thereon to the date of redemption, whether or not declared. Any such optional redemption shall be effected only out of funds legally available for such purpose.

***Redemption Procedures***

We will give notice of any redemption by mail, postage prepaid, not less than 15 days and not more than 60 days before the scheduled date of redemption, to the holders of any shares to be redeemed as such holders' names appear on our stock transfer books maintained by the Registrar and Transfer Agent at the address of such holders shown therein. Such notice shall state: (1) the redemption date, (2) the number of Series D Preferred Shares to be redeemed and, if less than all outstanding Series D Preferred Shares are to be redeemed, the number (and the identification) of shares to be redeemed from such holder, (3) the redemption price, (4) the place where the Series D Preferred Shares are to be redeemed and shall be presented and surrendered for payment of the redemption price therefor and (5) that dividends on the shares to be redeemed will cease to accumulate from and after such redemption date.

If fewer than all of the outstanding Series D Preferred Shares are to be redeemed, the number of shares to be redeemed will be determined by us, and such shares will be redeemed by such method of selection as the Securities Depository shall determine, with adjustments to avoid redemption of fractional shares. So long as all Series D Preferred Shares are held of record by the nominee of the Securities Depository, we will give notice, or cause notice to be given, to the Securities Depository of the number of Series D Preferred Shares to be redeemed, and the Securities Depository will determine the number of Series D Preferred Shares to be redeemed from the account of each of its participants holding such shares in its participant account. Thereafter, each participant will select the number of shares to be redeemed from each beneficial owner for whom it acts (including the participant, to the extent it holds Series D Preferred Shares for its own account). A participant may determine to redeem Series D Preferred Shares from some beneficial owners (including the participant itself) without redeeming Series D Preferred Shares from the accounts of other beneficial owners.

So long as the Series D Preferred Shares are held of record by the nominee of the Securities Depository, the redemption price will be paid by the Paying Agent to the Securities Depository on the redemption date. The Securities Depository's normal procedures provide for it to distribute the amount of the redemption price in same-day funds to its participants who, in turn, are expected to distribute such funds to the persons for whom they are acting as agent.

If we give or cause to be given a notice of redemption, then we will deposit with the Paying Agent funds sufficient to redeem the Series D Preferred Shares as to which notice has been given by the close of business, New York City time, no later than the Business Day immediately preceding the date fixed for redemption, and will give the Paying Agent irrevocable instructions and authority to pay the redemption price to the holder or holders thereof upon surrender or deemed surrender (which will occur automatically if the certificate representing such shares is issued in the name of the Securities Depository or its nominee) of the certificates therefor. If notice of redemption shall have been given, then from and after the date fixed for redemption, unless we default in providing funds sufficient for such redemption at the time and place specified for payment pursuant to the notice, all dividends on such shares will cease to accumulate and all rights of holders of such shares as our shareholders will cease, except the right to receive the redemption price, including an amount equal to accumulated and unpaid dividends through the date fixed for redemption, whether or not declared. We will be entitled to receive from the Paying Agent the interest income, if any, earned on such funds deposited with the Paying Agent (to the extent that such interest income is not required to pay the redemption price of the shares to be redeemed), and the holders of any shares so redeemed will have no claim to any such interest income. Any funds deposited with the Paying Agent hereunder by us for any



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reason, including, but not limited to, redemption of Series D Preferred Shares, that remain unclaimed or unpaid after two years after the applicable redemption date or other payment date, shall be, to the extent permitted by law, repaid to us upon our written request, after which repayment the holders of the Series D Preferred Shares entitled to such redemption or other payment shall have recourse only to us.

If only a portion of the Series D Preferred Shares represented by a certificate has been called for redemption, upon surrender of the certificate to the Paying Agent (which will occur automatically if the certificate representing such shares is registered in the name of the Securities Depository or its nominee), the Paying Agent will issue to the holder of such shares a new certificate (or adjust the applicable book-entry account) representing the number of Series D Preferred Shares represented by the surrendered certificate that have not been called for redemption.

Notwithstanding any notice of redemption, there will be no redemption of any Series D Preferred Shares called for redemption until funds sufficient to pay the full redemption price of such shares, including all accumulated and unpaid dividends to the date of redemption, whether or not declared, have been deposited by us with the Paying Agent.

We and our affiliates may from time to time purchase the Series D Preferred Shares, subject to compliance with all applicable securities and other laws. Neither we nor any of our affiliates has any obligation, or any present plan or intention, to purchase any Series D Preferred Shares. Any shares repurchased and cancelled by us will revert to the status of authorized but unissued preferred shares, undesignated as to series.

Notwithstanding the foregoing, in the event that full cumulative dividends on the Series D Preferred Shares and any Parity Securities (including the Series C Preferred Shares) have not been paid or declared and set apart for payment, we may not repurchase, redeem or otherwise acquire, in whole or in part, any Series D Preferred Shares or Parity Securities (including the Series C Preferred Shares) except pursuant to a purchase or exchange offer made on the same terms to all holders of Series D Preferred Shares and any Parity Securities (including the Series C Preferred Shares). Common shares and any other Junior Securities may not be redeemed, repurchased or otherwise acquired unless full cumulative dividends on the Series D Preferred Shares and any Parity Securities (including the Series C Preferred Shares) for all prior and the then-ending dividend periods have been paid or declared and set apart for payment.

### **No Sinking Fund**

The Series D Preferred Shares will not have the benefit of any sinking fund.

### **Net Worth Covenant**

The Statement of Designation includes a restrictive covenant that we shall not permit the Net Worth to Preferred Stock Ratio (as defined below) to be less than or equal to 1.00.

We will not declare, pay or set apart for payment any cash dividend on any Junior Securities unless we are in compliance with the foregoing covenant. Compliance with the foregoing covenant shall be measured on the last day of each of our fiscal quarters, commencing December 31, 2012. Within 60 days after the end of each fiscal quarter, we shall deliver to the Registrar and Transfer Agent an officer's certificate confirming compliance with the covenant described above. Each such certificate will be made available to the holders of the Series D Preferred Shares upon request to the Registrar and Transfer Agent. We shall mail, within five Business Days of the discovery thereof, to all holders of the Series D Preferred Shares and the Registrar and Transfer Agent, notice of any default in compliance with the covenant described above.

For purposes of the Net Worth to Preferred Stock Ratio covenant, the following definitions shall apply:

*Cash and Cash Equivalents* means, as of a given date, our cash and cash equivalents as determined in accordance with U.S. GAAP.

*Common Stock* means any of our capital stock that is not Preferred Stock.

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*Intangible Assets* means, in respect of Seaspan Corporation as of a given date, the intangible assets of Seaspan Corporation of the types, if any, presented in Seaspan Corporation's consolidated balance sheet.

*Net Worth* means, as of a given date, the result of, without duplication:

(a) Total Assets, less

(b) Intangible Assets, less

(c) Total Borrowings (without giving effect to any fair value adjustments pursuant to the Financial Accounting Standards Board Accounting Standards Codification 820).

*Net Worth to Preferred Stock Ratio* means, as of a given date, the result of dividing (x) Net Worth as of such date by (y) the aggregate Preferred Stock Amount as of such date.

*Non-Recourse Liabilities* means, in respect of Seaspan Corporation as of a given date, the non-recourse liabilities as described in subparts (a)-(h) of the definition of Total Borrowings and of the types, if any, presented in Seaspan Corporation's consolidated financial statements.

*Preferred Stock* means any of our capital stock, however designated, which entitles the holder thereof to a preference with respect to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, over shares of our Common Stock including, without limitation, our Series A Preferred Shares, Series C Preferred Shares and Series D Preferred Shares.

*Preferred Stock Amount* means, in respect of any series of Preferred Stock, the sum, without duplication, of (x) the aggregate liquidation preference of the outstanding shares of such Preferred Stock as of the relevant measurement date and (y) the aggregate amount of any accumulated and unpaid dividends or other distributions in respect of the outstanding shares of such Preferred Stock as of the relevant measurement date.

*Total Assets* means, in respect of Seaspan Corporation on a consolidated basis, as of a given date the aggregate of the following, without duplication:

(a) all of the assets of Seaspan Corporation of the types presented on its consolidated balance sheet; less

(b) Cash and Cash Equivalents; less

(c) Non-Recourse Liabilities; and less

(d) indebtedness under any vessel construction or ship purchase agreement (including novation and assignment and assumption agreements) that Seaspan Corporation is required to record on its books under U.S. GAAP even though Seaspan Corporation is no longer the legal owner of the vessel or legally obligated to take delivery of the vessel.

*Total Borrowings* means, in respect of Seaspan Corporation on a consolidated basis, as of a given date the aggregate of the following, without duplication:

(a) the outstanding principal amount of any moneys borrowed; plus

(b) the outstanding principal amount of any acceptance under any acceptance credit; plus

(c) the outstanding principal amount of any bond, note, debenture or other similar instrument; plus

(d) the book values of indebtedness under a lease, charter, hire purchase agreement or other similar arrangement which would, in accordance with U.S. GAAP, be treated as a finance or capital lease; plus

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(e) the outstanding principal amount of all moneys owing in connection with the sale or discounting of receivables (otherwise than on a non-recourse basis or which otherwise meet any requirements for de-recognition under U.S. GAAP); plus

(f) the outstanding principal amount of any indebtedness arising from any deferred payment agreements arranged primarily as a method of raising finance or financing the acquisition of an asset (except trade payables); plus

(g) any fixed or minimum premium payable on the repayment or redemption of any instrument referred to in clause (c) above; plus

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(h) the outstanding principal amount of any indebtedness of any person of a type referred to in the above clauses of this definition which is the subject of a guarantee given by Seaspan Corporation to the extent that such guaranteed indebtedness is determined and given a value in respect of Seaspan Corporation on a consolidated basis in accordance with U.S. GAAP; less

(i) Cash and Cash Equivalents; less

(j) Non-Recourse Liabilities.

Notwithstanding the foregoing, *Total Borrowings* shall not include any of the following:

(a) indebtedness or obligations arising from derivative transactions, such as protecting against interest rate or currency fluctuations; and

(b) indebtedness under any vessel construction or ship purchase agreement (including novation and assignment and assumption agreements) that Seaspan Corporation is required to record on its books under U.S. GAAP even though Seaspan Corporation is no longer the legal owner of the vessel or legally obligated to take delivery of the vessel.

*U.S. GAAP* means generally accepted accounting principles in the United States of America.

For purposes of the foregoing provisions and definitions, any accounting term, phrase, calculation, determination or treatment used, required or referred to in this Net Worth Covenant subsection is to be construed in accordance with U.S. GAAP in effect as of January 1, 2012.

**Book-Entry System**

All Series D Preferred Shares offered hereby will be represented by a single certificate issued to The Depository Trust Company (and its successors or assigns or any other securities depository selected by us), or the Securities Depository, and registered in the name of its nominee (initially, Cede & Co.). The Series D Preferred Shares offered hereby will continue to be represented by a single certificate registered in the name of the Securities Depository or its nominee, and no holder of the Series D Preferred Shares offered hereby will be entitled to receive a certificate evidencing such shares unless otherwise required by law or the Securities Depository gives notice of its intention to resign or is no longer eligible to act as such and we have not selected a substitute Securities Depository within 60 calendar days thereafter. Payments and communications made by us to holders of the Series D Preferred Shares will be duly made by making payments to, and communicating with, the Securities Depository. Accordingly, unless certificates are available to holders of the Series D Preferred Shares, each purchaser of Series D Preferred Shares must rely on (1) the procedures of the Securities Depository and its participants to receive dividends, distributions, any redemption price, liquidation preference and notices, and to direct the exercise of any voting or nominating rights, with respect to such Series D Preferred Shares and (2) the records of the Securities Depository and its participants to evidence its ownership of such Series D Preferred Shares.

So long as the Securities Depository (or its nominee) is the sole holder of the Series D Preferred Shares, no beneficial holder of the Series D Preferred Shares will be deemed to be a shareholder of us. The Depository Trust Company, the initial Securities Depository, is a New York-chartered limited purpose trust company that performs services for its participants, some of whom (and/or their representatives) own The Depository Trust Company. The Securities Depository maintains lists of its participants and will maintain the positions (*i.e.*, ownership interests) held by its participants in the Series D Preferred Shares, whether as a holder of the Series D Preferred Shares for its own account or as a nominee for another holder of the Series D Preferred Shares.

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**MARSHALL ISLANDS COMPANY CONSIDERATIONS**

Our corporate affairs are governed by our Articles of Incorporation and bylaws and by the BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. While the BCA also provides that it is to be interpreted according to the laws of the State of Delaware and other states with substantially similar legislative provisions, there have been few, if any, court cases interpreting the BCA in the Marshall Islands and we cannot predict whether Marshall Islands courts would reach the same conclusions as United States courts. Accordingly, you may have more difficulty in protecting your interests in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction that has developed a substantial body of case law. The following table provides a comparison between the statutory provisions of the BCA and the Delaware General Corporation Law relating to certain shareholders' rights.

**SHAREHOLDER MEETINGS**

**MARSHALL ISLANDS**

- n Held at a time and place as designated in the bylaws
- n May be held within or outside the Marshall Islands
- n Notice:
  - n Whenever shareholders are required to take action at a meeting, written notice shall state the place, date and hour of the meeting and indicate that it is being issued by or at the direction of the person calling the meeting
  - n A copy of the notice of any meeting shall be given personally or sent by mail not less than 15 nor more than 60 days before the meeting

**DELAWARE**

- n May be held at such time or place as designated in the certificate of incorporation or the bylaws, or if not so designated, as determined by the board of directors
- n May be held within or outside Delaware
- n Notice:
  - n Whenever shareholders are required to take any action at a meeting, a written notice of the meeting shall be given that shall state the place, if any, date and hour of the meeting, and the means of remote communication, if any
  - n Written notice shall be given not less than 10 nor more than 60 days before the meeting

**SHAREHOLDERS VOTING RIGHTS**

**MARSHALL ISLANDS**

- n Any action required to be taken by meeting of shareholders may be taken without meeting if consent is in writing and is signed by all the shareholders entitled to vote
- n Any person authorized to vote may authorize another person to act for him by proxy
- n Unless otherwise provided in the articles of incorporation, a majority of shares entitled to vote constitutes a quorum. In no event shall a quorum consist of fewer than one-third of the shares entitled to vote at a meeting
- n The articles of incorporation may provide for cumulative voting

**DELAWARE**

- n Shareholders may act by written consent signed by the holders of outstanding shares having the number of votes necessary to take action at a meeting
- n Any person authorized to vote may authorize another person or persons to act for him by proxy
- n For stock corporations, certificate of incorporation or bylaws may specify the number to constitute a quorum but in no event shall a quorum consist of less than one-third of shares entitled to vote at a meeting. In the absence of such specifications, a majority of shares entitled to vote shall constitute a quorum
- n The certificate of incorporation may provide for cumulative voting

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**DIRECTORS**

**MARSHALL ISLANDS**

- n Board must consist of at least one member
- n Number of members can be changed by an amendment to the bylaws, by the shareholders, or by action of the board
  
- n If the board is authorized to change the number of directors, it can only do so by an absolute majority (majority of the entire board)
- n Removal:
  - n Any or all of the directors may be removed for cause by vote of the shareholders
  
- n If the articles of incorporation or the bylaws so provide, any or all of the directors may be removed without cause by vote of the shareholders

**DELAWARE**

- n Board must consist of at least one member
- n Number of board members shall be fixed by the bylaws, unless the certificate of incorporation fixes the number of directors, in which case a change in the number shall be made only by amendment of the certificate
  
- n Removal:
  - n Any or all of the directors may be removed, with or without cause, by the holders of a majority of the shares entitled to vote except: (1) unless the certificate of incorporation otherwise provides, in the case of a corporation whose board is classified, stockholders may effect such removal only for cause, or (2) if the corporation has cumulative voting, if less than the entire board is to be removed, no director may be removed without cause if the votes cast against such director's removal would be sufficient to elect such director if then cumulatively voted at an election of the entire board of directors, or, if there be classes of directors, at an election of the class of directors of which such director is a part.

**DISSENTERS RIGHTS OF APPRAISAL**

**MARSHALL ISLANDS**

- n Shareholders have a right to dissent from a merger or sale of all or substantially all assets not made in the usual course of business, and receive payment of the fair value of their share
- n A holder of any adversely affected shares who does not vote on or consent in writing to an amendment to the articles of incorporation has the right to dissent and to receive payment for such shares if the amendment:
  - n Alters or abolishes any preferential right of any outstanding shares having preference;
  - n Creates, alters, or abolishes any provision or right in respect to the redemption of any outstanding shares;
  - n Alters or abolishes any preemptive right of such holder to acquire shares or other securities; or
  - n Excludes or limits the right of such holder to vote on any matter, except as such right may be limited by the voting rights given to new shares then being authorized of any existing or new class.

**DELAWARE**

- n Appraisal rights shall be available for the shares of any class or series of stock of a corporation in a merger or consolidation, subject to exceptions
- n The certificate of incorporation may provide that appraisal rights are available for shares as a result of an amendment to the certificate of incorporation, any merger or consolidation or the sale of all or substantially all of the assets

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**SHAREHOLDERS DERIVATIVE ACTIONS**

**MARSHALL ISLANDS**

n An action may be brought in the right of a corporation to procure a judgment in its favor, by a holder of shares or of voting trust certificates or of a beneficial interest in such shares or certificates. It shall be made to appear that the plaintiff is such a holder at the time of bringing the action and that he was such a holder at the time of the transaction of which he complains, or that his shares or his interest therein devolved upon him by operation of law

n Complaint shall set forth with particularity the efforts of the plaintiff to secure the initiation of such action by the board or the reasons for not making such effort

n Such action shall not be discontinued, compromised or settled, without the approval of the High Court of the Republic of the Marshall Islands

n Attorney's fees may be awarded if the action is successful

n Corporation may require a plaintiff bringing a derivative suit to give security for reasonable expenses if the plaintiff owns less than 5% of any class of stock and the shares have a value of less than \$50,000

**DELAWARE**

n In any derivative suit instituted by a shareholder or a corporation, it shall be averred in the complaint that the plaintiff was a shareholder of the corporation at the time of the transaction of which he complains or that such shareholder's stock thereafter devolved upon such shareholder by operation of law

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**MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS**

The following is a discussion of the material U.S. federal income tax considerations that may be relevant to prospective holders of our Series D Preferred Shares and, unless otherwise noted in the following discussion, is the opinion of Perkins Coie LLP, our U.S. counsel, insofar as it relates to matters of U.S. federal income tax law and legal conclusions with respect to those matters. The opinion of our counsel is dependent on the accuracy of representations made by us to them, including descriptions of our operations contained herein.

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 prospectus supplement, 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 Series D Preferred 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 will hold our Series D Preferred 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 Series D Preferred 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 Series D Preferred Shares should consult their own tax advisors to determine the appropriate tax treatment of the partnership's ownership of our Series D Preferred Shares.

No ruling has been requested from the IRS regarding any matter affecting us or our shareholders. Instead, we will rely on the opinion of Perkins Coie LLP. Unlike a ruling, an opinion of counsel represents only that counsel's legal judgment and does not bind the IRS or the courts. Accordingly, the opinion and statements made here 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 and other tax consequences of owning and disposing of our Series D Preferred Shares.

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

As used herein, the term "U.S. Holder" means a beneficial owner of our Series D Preferred Shares that is: (i) a U.S. citizen or U.S. resident alien; (ii) a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized under the laws of the United States, any state thereof, or the District of Columbia; (iii) an estate whose income is subject to U.S. federal income taxation regardless of its source; or (iv) 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 on Our Series D Preferred Shares***

Subject to the discussion of passive foreign investment companies, or PFICs, below, any distributions made by us with respect to our Series D Preferred Shares to a U.S. Holder generally will constitute dividends taxable as ordinary income (or, for a limited period, 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 Series D Preferred 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 Series D Preferred Shares will be treated first as a



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nontaxable return of capital to the extent of the U.S. Holder's tax basis in our Series D Preferred 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 Series D Preferred 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 Series D Preferred 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 Series D Preferred Shares by a U.S. Holder who is an individual, trust or estate, or a U.S. Individual Holder, generally will be treated as qualified dividend income that is taxable to such U.S. Individual 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). However, in the absence of legislation extending the term of the preferential capital gain tax rates for qualified dividend income, all dividends received by a taxpayer in taxable years beginning after December 31, 2012 will be taxed at ordinary graduated tax rates.

Special rules may apply to any extraordinary dividend paid by us. Generally, an extraordinary dividend is a dividend with respect to a share of preferred stock that is equal to or in excess of 5% of a preferred shareholder's adjusted tax basis (or fair market value upon the shareholder's election) in such preferred 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 Series D Preferred Shares that is treated as qualified dividend income, then any loss recognized by a U.S. Individual Holder from the sale or exchange of such Series D Preferred Shares will be treated as long-term capital loss to the extent of the amount of such dividend.

Certain U.S. Individual Holders will be subject to a 3.8% tax on certain investment income, including dividends, for taxable years beginning after December 31, 2012.

***Sale, Exchange or Other Disposition of Our Series D Preferred 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 Series D Preferred 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 Series D Preferred Shares (i) will be treated as 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 (ii) generally will be treated as U.S. source income or loss, as applicable, for foreign tax credit purposes. Certain U.S. Holders, including individuals, 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.

Certain U.S. Individual Holders will be subject to a 3.8% tax on certain investment income, including gain from the disposition of our Series D Preferred Shares, for taxable years beginning after December 31, 2012.

***Consequences of Possible 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 percent 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.

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

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Shareholder may recognize ordinary income on the disposition of shares of the CFC. Although we do not believe we are a CFC, U.S. persons purchasing a substantial interest in us should consider the potential implications of being treated as a CFC Shareholder in the event we become a CFC in the future.

The U.S. federal income tax consequences to U.S. Holders who are not CFC Shareholders would not change in the event we become a CFC in the future.

***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 (i) at least 75% of our gross income (including the gross income of certain of our subsidiaries) consists of passive income or (ii) 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 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 Code. However, the 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 that of our subsidiaries), we intend to take the position that we are not now and have never been a PFIC, and our counsel, Perkins Coie LLP, is of the opinion that we should not be a PFIC based on applicable law, including the Code, legislative history, published revenue rulings and court decisions, and representations we have made to them regarding the composition of our assets, the source of our income and the nature of our activities and other operations following this offering, including:

- n All time charters we have entered into are similar in all material respects to those we have provided to Perkins Coie LLP;
- n The income from our chartering activities with CSCL Asia, COSCON, MOL, K-Line, and CSAV, will be greater than 25% of our total gross income at all relevant times;
- n The gross value of our vessels chartered to CSCL Asia, COSCON, MOL, K-Line, and CSAV, will exceed the gross value of all other assets we own at all relevant times;
- n The estimated useful life of each of our vessels subject to a time charter will be 30 years from the date of delivery under the charter; and
- n The total payments due to us under the charters are substantially in excess of the bareboat charter rate for comparable vessels in effect at the time the time charters were executed.

An opinion of counsel represents only that counsel's best legal judgment and does not bind the IRS or the courts. Accordingly, the opinion of Perkins Coie LLP may not be sustained by a court if contested by the IRS. 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

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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.

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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 his 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 pro rata share would not exceed the income allocable to dividends payable on our shares, although ordinary earnings could be allocated to a shareholder in the taxable year before the dividend is paid. 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 Series D Preferred 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 Series D Preferred Shares. The U.S. Holder generally would recognize capital gain or loss on the sale, exchange or other disposition of our Series D Preferred 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 his 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 will 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 Series D Preferred 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 Series D Preferred 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 Series D Preferred 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 Series D Preferred Shares at the end of the taxable year over the U.S. Holder's adjusted tax basis in our Series D Preferred 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 Series D Preferred 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 Series D Preferred Shares would be adjusted to reflect any such income or loss recognized. Gain realized on the sale, exchange or other disposition of our Series D Preferred Shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of our Series D Preferred 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 (i) any excess distribution (i.e., the portion of any distributions received by the U.S. Holder on our Series D Preferred 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 Series D Preferred Shares), and (ii) any gain realized on the sale, exchange or other disposition of our Series D Preferred Shares. Under these special rules:

- <sup>n</sup> the excess distribution or gain would be allocated ratably over the U.S. Holder's aggregate holding period for our Series D Preferred Shares;

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

If we were treated as a PFIC, a U.S. Holder would be required to file Form 8621 annually with the IRS and would be required to comply with all other applicable filing requirements with respect to the U.S. Holder's Series D Preferred Shares. In addition, if the U.S. Holder is an individual who dies while owning our Series D Preferred Shares, such shareholder'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 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.**

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

Individual U.S. 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, with an aggregate value in excess of \$50,000, may be required to report such assets on IRS Form 8938 with their tax return. 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 Series D Preferred Shares.

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

A beneficial owner of our Series D Preferred 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 Series D Preferred 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***

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 Series D Preferred Shares unless (i) 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 shareholder maintains in the United States) or (ii) the shareholder 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 (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.

**Backup Withholding and Information Reporting**

In general, payments of distributions or the proceeds of a disposition of our Series D Preferred 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 U.S. Holder:

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- n fails to provide an accurate taxpayer identification number;
  
- n is notified by the IRS that he has failed to report all interest or corporate distributions required to be shown on his U.S. federal income tax returns; or

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<sup>n</sup> 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-8ECI or W-8IMY, as applicable.

Backup withholding is not an additional tax. Rather, a shareholder 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 timely filing U.S. federal income tax return with the IRS.

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**NON-UNITED STATES TAX CONSIDERATIONS**

**Marshall Islands Tax Considerations**

The following discussion is the opinion of Reeder & Simpson, P.C., our counsel as to matters of the laws of the Republic of the Marshall Islands, and the current laws of the Republic of the Marshall Islands applicable to persons who do not reside in, maintain offices in or engage in business in the Republic of the Marshall Islands.

Because we do not, and we do not expect that we will, conduct business or operations in the Republic of the Marshall Islands, and because all documentation related to this offering will be executed outside of the Republic of the Marshall Islands, under current Marshall Islands law you will not be subject to Marshall Islands taxation or withholding on distributions, including upon a return of capital, we make to you as a shareholder. In addition, you will not be subject to Marshall Islands stamp, capital gains or other taxes on the purchase, ownership or disposition of Series D Preferred Shares, and you will not be required by the Republic of the Marshall Islands to file a tax return relating to the Series D Preferred 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 the opinion of Farris, Vaughan, Wills & Murphy LLP, our Canadian tax counsel, as to the material Canadian federal income tax consequences under the Income Tax Act (Canada) (the Canada Tax Act), as of the date of this prospectus, that we believe are relevant to holders of Series D Preferred Shares acquired in this offering 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). Holders that are United States limited liability companies 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 the operation of ships that are used primarily in transporting passengers or goods in international traffic, all or substantially all of our gross revenue for that year consists of gross revenue from the operation of ships in transporting passengers or goods in that international traffic, and we were not granted articles of continuance in Canada before the end of that year. Please read Business 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.



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**OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION**

We estimate the expenses in connection with the issuance and distribution of our Series D Preferred Shares, other than underwriting discounts and commissions, as follows:

Printing Expenses	\$ 100,000
Legal Fees and Expenses	250,000
Accountants Fees and Expenses	100,000
The New York Stock Exchange Listing Fee	20,000
Transfer Agent Fees and Expenses	3,500
Miscellaneous Costs	26,500
<b>Total</b>	<b>\$ 500,000</b>

**Table of Contents****UNDERWRITING**

Jefferies & Company, Inc., Incapital LLC and Credit Suisse Securities (USA) LLC, or the Representatives, are acting as joint book-running managers of the offering, Incapital LLC is acting as sole structuring agent of the offering and the Representatives are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of Series D Preferred Shares set forth opposite its name below.

<b>UNDERWRITER</b>	<b>NUMBER OF SHARES</b>
Jefferies & Company, Inc.	877,500
Incapital LLC	877,500
Credit Suisse Securities (USA) LLC	675,000
DNB Markets Inc.	148,500
SMBC Nikko Capital Markets Limited	121,500
Total	2,700,000

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the Series D Preferred Shares sold under the underwriting agreement if any of these Series D Preferred Shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

The underwriters have an option to buy up to 405,000 additional Series D Preferred Shares from us to cover sales of shares by the underwriters which exceed the number of shares specified in the table above. The underwriters have 30 days from the date of this prospectus supplement to exercise this option. If any shares are purchased with this option, the underwriters will purchase shares in approximately the same proportion as shown in the table above. If any additional Series D Preferred Shares are purchased, the underwriters will offer the additional shares on the same terms on which the shares are being offered.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

We have agreed to pay Incapital LLC a structuring fee of \$58,000 in connection with the offering and to pay \$50,000 of the underwriters expenses.

The underwriters are offering the Series D Preferred Shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Series D Preferred Shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

**Commissions and Expenses**

The Representatives have advised us that the underwriters propose initially to offer the Series D Preferred Shares to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of \$0.50 per Series D

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Preferred Share. The underwriters may allow, and the dealers may reallocate, a discount not in excess of \$0.45 per share to other dealers. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

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The following table shows the public offering price, underwriting discount and proceeds before expenses to us.

	PER SHARE		TOTAL	
	Without Option to Purchase Additional Shares	With Option to Purchase Additional Shares	Without Option to Purchase Additional Shares	With Option to Purchase Additional Shares
Public offering price	\$ 25.00	\$ 25.00	\$ 67,500,000	\$ 77,625,000
Underwriting discounts and commissions paid by us	\$ 0.7875	\$ 0.7875	\$ 2,126,250	\$ 2,445,188
Proceeds to us, before expenses	\$ 24.2125	\$ 24.2125	\$ 65,373,750	\$ 75,179,812

The expenses of the offering, not including the underwriting discount, are estimated at \$500,000 and are payable by us. The underwriters have agreed to reimburse us for certain expenses incurred in the offering.

**No Sale of Similar Securities**

We have agreed that, for a period of 45 days from the date of this prospectus supplement, we will not, without the prior written consent of the Representatives, dispose of or hedge any of our existing preferred shares or any securities convertible into or exchangeable for our existing preferred shares. The Representatives, in their sole discretion, may release any of the securities subject to this lock-up agreement at any time without notice.

**New York Stock Exchange Listing**

No market currently exists for our Series D Preferred Shares. We intend to apply to list our Series D Preferred Shares on the NYSE. If the application is approved, trading of the Series D Preferred Shares is expected to commence within 30 days after the initial delivery of the Series D Preferred Shares. The underwriters have advised us that they intend to make a market in the Series D Preferred Shares prior to commencement of any trading on the New York Stock Exchange, but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Series D Preferred Shares.

**Stabilization**

Until the distribution of the Series D Preferred Shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our Series D Preferred Shares. However, the Representatives may engage in transactions that have the effect of stabilizing the price of the Series D Preferred Shares, such as bids or purchases that peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our Series D Preferred Shares in the open market. These transactions may include stabilizing transactions, short sales, and purchases on the open market to cover positions created by short sales. Stabilizing transactions consist of various activities such as purchases of Series D Preferred Shares made by the underwriters in the open market prior to the completion of the offering. Short sales involve the sale by the underwriters of a greater number of Series D Preferred Shares than they are required to purchase in the offering. Short sales may be covered shorts, which are short positions in an amount not greater than the underwriters option to purchase additional shares referred to above, or may be naked shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising their option to purchase additional shares, in whole or in part, or by purchasing our Series D Preferred Shares in the open market. In making this determination, the underwriters will consider, among other things, the price of our Series D Preferred Shares available for purchase in the open market compared to the price at which the underwriters may purchase our Series D Preferred Shares through the option. A naked short position is more likely to be created if the underwriters are concerned

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that there may be downward pressure on the price of the Series D Preferred Shares in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase our Series D Preferred Shares in the open market to cover the position.

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Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our Series D Preferred Shares or preventing or retarding a decline in the market price of our Series D Preferred Shares. As a result, the price of our Series D Preferred Shares may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our Series D Preferred Shares. In addition, neither we nor any of the underwriters make any representation that the Representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

## **Electronic Distribution**

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail.

## **Conflict of Interest**

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities or instruments of ours or our affiliates. Certain of the underwriters or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, potentially including the Series D Preferred Shares offered hereby. Any such short positions could adversely affect future trading prices of the Series D Preferred Shares offered hereby. The underwriters and their affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

## **Notice to Prospective Investors in Switzerland**

The Series D Preferred Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Series D Preferred Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, us, the Series D Preferred Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Series D Preferred Shares will not be supervised by, the Swiss Financial Market Supervisory Authority, or FINMA, and the offer of Series D Preferred Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Series D Preferred Shares.

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**LEGAL MATTERS**

The validity of the Series D Preferred Shares and certain other legal matters with respect to the laws of the Republic of the Marshall Islands will be passed upon for us by our counsel to Marshall Islands law, Dennis J. Reeder, Reeder & Simpson, P.C. Certain other legal matters will be passed upon for us by Perkins Coie LLP, Portland, Oregon, and by Farris, Vaughan, Wills & Murphy LLP, Vancouver, British Columbia. Farris, Vaughan, Wills & Murphy LLP and Perkins Coie LLP may rely on the opinions of Dennis J. Reeder, Reeder & Simpson, P.C. for all matters of Marshall Islands law. The underwriters have been represented in connection with this offering by Cravath, Swaine & Moore LLP, New York, New York.

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**EXPERTS**

The consolidated financial statements of Seaspan Corporation as of December 31, 2011 and 2010, and for each of the years in the three-year period ended December 31, 2011, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2011, have been incorporated by reference herein and in the related registration statement in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated herein by reference, and upon the authority of such firm as experts in accounting and auditing.

The section in this prospectus supplement entitled "The International Containership Industry" has been included in reliance upon CRSL's authority as an expert on such matters. CRSL has confirmed to us that such section accurately describes the international containership market, subject to the availability and reliability of the data supporting the statistical and graphical information presented in this prospectus supplement, as indicated in the consent of CRSL filed as an exhibit to our Report on Form 6-K filed on the date of this prospectus supplement and incorporated by reference into the registration statement of which this prospectus supplement is a part.

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### **WHERE YOU CAN FIND ADDITIONAL INFORMATION**

As required by the Securities Act, we filed a registration statement relating to the securities offered by this prospectus with the SEC. This prospectus is a part of that registration statement, which includes additional information.

#### **Government Filings**

We file and furnish annual and other reports with the SEC. You may read and copy any document that we file or furnish with the SEC at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling 1-(800) SEC-0330, and you may obtain copies of documents at prescribed rates from the Public Reference Section of the SEC at its principal office in Washington, D.C. 20549. The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, you can obtain information about us at the offices of The New York Stock Exchange, 20 Broad Street, New York, New York 10005.

#### **Information Incorporated by Reference**

The SEC allows us to incorporate by reference information that we file with it. This means that we can disclose important information to you without actually including the specific information in this prospectus supplement by referring you to other documents filed separately with the SEC. The information incorporated by reference is an important part of this prospectus supplement. Information that we file later with the SEC prior to the termination of this offering will also be considered to be part of this prospectus supplement and will automatically update and supersede previously filed information, including information contained in this document.

We incorporate by reference into this prospectus supplement the documents listed below:

n Reports on Form 6-K, dated March 26, 2012, May 21, 2012, August 6, 2012, November 9, 2012; and

n Annual Report on Form 20-F for the year ended December 31, 2011, filed with the SEC on March 26, 2012.

We are also incorporating by reference all subsequent annual reports on Form 20-F that we file with the SEC and certain Reports on Form 6-K that we furnish to the SEC after the date of this prospectus supplement (if they state that they are incorporated by reference into this prospectus supplement) until we file a post-effective amendment indicating that the offering of the securities made by this prospectus supplement has been terminated. In all cases, you should rely on the later information over different information included in this prospectus supplement or the base prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the base prospectus. We have not, and any underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the base prospectus as well as the information we previously filed with the SEC and incorporated by reference, is accurate as of the dates on the front cover of those documents only. Our business, financial condition and results of operations and prospects may have changed since those dates.

You may request a free copy of the above mentioned filings or any subsequent filing we incorporated by reference to this prospectus by writing or telephoning us at the following address:

Seaspan Corporation

Unit 2, 7th Floor

Bupa Centre

141 Connaught Road West

Edgar Filing: Seaspac CORP - Form 424B5

Hong Kong

China

(852) 2540-1686

Attention: Chief Financial Officer

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**Information Provided by the Company**

We will furnish, on request, to holders of our Series D Preferred Shares annual reports containing audited financial statements and a report by our independent registered public accounting firm. The audited financial statements will be prepared in accordance with U.S. GAAP and those reports will include a Management's Discussion and Analysis of Financial Condition and Results of Operations section for the relevant periods. As a foreign private issuer, we are exempt under the Exchange Act from, among other things, certain rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act, including the filing of quarterly reports or current reports on Form 8-K. However, we intend to make available quarterly reports containing our unaudited interim financial information for the first three fiscal quarters of each fiscal year.

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**ENFORCEABILITY OF CIVIL LIABILITIES**

We are a Marshall Islands corporation, and our executive offices are located outside of the United States in Hong Kong. A majority of our directors and officers and some of the experts named in this prospectus reside outside of the United States. In addition, a substantial portion of our assets and the assets of our directors, officers and experts are located outside of the United States. As a result, you may have difficulty serving legal process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in U.S. courts against us or those persons in any action, including actions based upon the civil liability provisions of U.S. federal or state securities laws.

In addition, the courts of the Marshall Islands or Hong Kong may not (1) enter judgments in original actions brought in those courts predicated on U.S. federal or state securities laws or (2) recognize or enforce against us or any of our officers, directors or experts judgments of courts of the United States predicated on U.S. federal or state securities laws. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

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### **GLOSSARY OF SHIPPING TERMS**

The following are definitions of certain terms that are commonly used in the shipping industry and in this prospectus.

*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.

*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.

*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 vessel under construction or just completed.

*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 (or P&I) 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 vessel as scrap metal.

*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.



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*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 voyage 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.

*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. Vessel operating expenses exclude voyage expenses.

*Voyage expenses.* Expenses incurred due to a vessel'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.

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**PROSPECTUS**

**\$1,000,000,000**

**Common Shares**

**Preferred Shares**

**Warrants**

**Rights**

**Debt Securities**

**Units**

**Seaspn Corporation**

Through this prospectus, we may offer, from time to time, in one or more series:

our common shares;

our preferred shares;

warrants to purchase common shares, preferred shares or debt securities;

rights to purchase common shares, preferred shares, warrants, debt securities or units;

debt securities, which may be secured or unsecured senior debt securities; and



our units.

The aggregate offering price of the securities issued under this prospectus may not exceed \$1,000,000,000. The prices and other terms of the securities that we will offer will be determined at the time of their offering and will be described in a supplement to this prospectus.

Our common shares are listed on the New York Stock Exchange under the symbol SSW. We will provide information in the prospectus supplement for the trading market, if any, for any preferred shares, warrants, rights, debt securities or units that we may offer.

The securities issued under this prospectus may be offered directly or through underwriters, agents or dealers. The names of any underwriters, agents or dealers will be included in a supplement to this prospectus.

**Investing in our securities involves a high degree of risk. Please read Risk Factors beginning on page 5.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

Each of our common shares includes one right that, under certain circumstances, entitles the holder to purchase from us a unit consisting of one-thousandth of a preferred share at a purchase price of \$25.00 per unit, subject to specified adjustments.

**The date of this prospectus is August 19, 2010.**

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You should rely only on the information contained in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different information, you should not rely on it. We are not making an offer of these securities in any jurisdiction where an offer is not permitted. Information contained on our website does not constitute part of this prospectus. You should not assume that the information incorporated by reference or provided in this prospectus is accurate as of any date other than the date on the front of this prospectus or the date of such incorporated documents, as the case may be.

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**ABOUT THIS PROSPECTUS**

Unless we otherwise specify, when used in this prospectus, the terms Seaspan Corporation, the Company, we, our and us refer to Seaspan Corporation and its wholly owned subsidiaries and, for periods before our initial public offering, our predecessor, Seaspan Container Lines Limited. References to our Manager are to Seaspan Management Services Limited and its wholly owned subsidiaries that provide us with technical, administrative and strategic services. Unless otherwise indicated, all dollar references in this prospectus are to U.S. dollars and financial information presented in this prospectus that is derived from financial statements incorporated by reference is prepared in accordance with accounting principles generally accepted in the United States.

This prospectus is part of a registration statement we filed with the Securities Exchange Commission, or the Commission, using a shelf registration process. Under the shelf registration process, we may sell the securities, described in this prospectus in one or more offerings up to a total dollar amount of \$1,000,000,000. This prospectus provides you with a general description of the securities we may offer. Each time we offer securities, we will provide you with a prospectus supplement that will describe the specific amounts, prices and terms of the offered securities. The prospectus supplement may also add, update or change the information contained in this prospectus. You should read carefully both this prospectus and any prospectus supplement, together with the additional information described below.

This prospectus does not contain all the information provided in the registration statement we filed with the Commission. For further information about us or the securities offered hereby, you should refer to that registration statement, which you can obtain from the Commission as described below under **Where You Can Find More Information**.

In this prospectus, references to Samsung are to Samsung Heavy Industries Co., Ltd. References to HHI are to Hyundai Heavy Industries Co., Ltd. References to HSHI are to Hyundai Samho Heavy Industries Co., Ltd., a subsidiary of HHI. References to Jiangsu are to Jiangsu Yangzijiang Shipbuilding Co., Ltd. References to New Jiangsu are to Jiangsu New Yangzi Shipbuilding Co., Ltd. References to Zhejiang are to Zhejiang Shipbuilding Co. Ltd. References to Odense-Lindo are to Odense-Lindo Shipyard Ltd. Samsung, HHI, HSHI, Jiangsu, New Jiangsu, Zhejiang and Odense-Lindo are commonly referred to as our shipbuilders.

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

We use the term **twenty foot equivalent unit**, or **TEU**, the international standard measure of containers, in describing the capacity of our containerhips, which are also commonly referred to as vessels. In this prospectus, 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.

**Table of Contents****ABOUT SEASPAN****Overview**

We are Seaspan Corporation, a Marshall Islands corporation that was incorporated on May 3, 2005. We are an owner of containerships, and we charter them pursuant to primarily long-term, fixed-rate time charters to major container liner companies. As of August 1, 2010, we owned a fleet of 53 containerships and have entered into contracts for the purchase of an additional 10 containerships and contracts to lease an additional six containerships.

Customers for our current fleet are CSCL Asia, HL USA, APM, COSCON, CSAV, MOL, K-Line and UASC. Customers for the additional 16 vessels will include K-Line and COSCON. Our primary objective is to continue to grow our business through accretive vessel acquisitions over the mid- to long-term as market conditions allow.

We deploy all our vessels on primarily 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 August 1, 2010, the charters on the 53 vessels in our current fleet had an average remaining term of 7.1 years plus certain options.

**Our Fleet*****Our Current Fleet***

The following table summarizes key facts regarding the 53 vessels as of August 1, 2010:

Vessel Name	Vessel Class (TEU)	Commencement of Charter	Year Built	Charterer	Length of Time Charter	Daily Charter Rate (in thousands)
CSCL Zeebrugge	9600	3/15/07	2007	CSCL Asia	12 years	\$ 34.0 <sup>(1)</sup>
CSCL Long Beach	9600	7/5/07	2007	CSCL Asia	12 years	34.0 <sup>(1)</sup>
CSCL Oceania	8500	12/4/04	2004	CSCL Asia	12 years + one 3-year option	29.5 <sup>(2)</sup>
CSCL Africa	8500	1/24/05	2005	CSCL Asia	12 years + one 3-year option	29.5 <sup>(2)</sup>
COSCO Japan	8500	3/9/10	2010	COSCON	12 years + three one-year options	42.9 <sup>(3)</sup>
COSCO Korea	8500	4/5/10	2010	COSCON	12 years + three one-year options	42.9 <sup>(3)</sup>
COSCO Philippines	8500	4/24/10	2010	COSCON	12 years + three one-year options	42.9 <sup>(3)</sup>
COSCO Malaysia	8500	4/19/10	2010	COSCON	12 years + three one-year options	42.9 <sup>(3)</sup>
COSCO Indonesia	8500	7/5/10	2010	COSCON	12 years + three one-year options	42.9 <sup>(3)</sup>
MOL Emerald	5100	4/30/09	2009	MOL	12 years	28.9
MOL Eminence	5100	8/31/09	2009	MOL	12 years	28.9
MOL Emissary	5100	11/20/09	2009	MOL	12 years	28.9
MOL Empire	5100	1/8/10	2010	MOL	12 years	28.9
MSC Sweden	4800	11/6/06	1989	APM	5 years + two 1-year options + one 2-year option	23.5 <sup>(4)</sup>

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Vessel Name	Vessel Class (TEU)	Commencement of Charter	Year Built	Charterer	Length of Time Charter	Daily Charter Rate (in thousands)
Cap Victor	4800	11/20/06	1988	APM	5 years + two 1-year options + one 2-year option	23.5 <sup>(4)</sup>
Cap York	4800	12/6/06	1989	APM	5 years + two 1-year options + one 2-year option	23.5 <sup>(4)</sup>
MSC Ancona	4800	12/22/06	1989	APM	5 years + two 1-year options + one 2-year option	23.5 <sup>(4)</sup>
CSCL Hamburg	4250	7/3/01	2001	CSCL Asia	10 years + one 2-year option	18.3 <sup>(5)</sup>
CSCL Chiwan	4250	9/20/01	2001	CSCL Asia	10 years + one 2-year option	18.3 <sup>(5)</sup>
CSCL Ningbo	4250	6/15/02	2002	CSCL Asia	10 years + one 2-year option	19.7 <sup>(6)</sup>
CSCL Dalian	4250	9/4/02	2002	CSCL Asia	10 years + one 2-year option	19.7 <sup>(6)</sup>
CSCL Felixstowe	4250	10/15/02	2002	CSCL Asia	10 years + one 2-year option	19.7 <sup>(6)</sup>
CSCL Vancouver	4250	2/16/05	2005	CSCL Asia	12 years	17.0
CSCL Sydney	4250	4/19/05	2005	CSCL Asia	12 years	17.0
CSCL New York	4250	5/26/05	2005	CSCL Asia	12 years	17.0
CSCL Melbourne	4250	8/17/05	2005	CSCL Asia	12 years	17.0
CSCL Brisbane	4250	9/15/05	2005	CSCL Asia	12 years	17.0
New Delhi Express	4250	10/18/05	2005	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(8)</sup>	18.0 <sup>(7)</sup>
Dubai Express	4250	1/3/06	2006	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(8)</sup>	18.0 <sup>(7)</sup>
Jakarta Express	4250	2/21/06	2006	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(8)</sup>	18.0 <sup>(7)</sup>
Saigon Express	4250	4/6/06	2006	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(8)</sup>	18.0 <sup>(7)</sup>
Lahore Express	4250	7/11/06	2006	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(8)</sup>	18.0 <sup>(7)</sup>
Rio Grande Express	4250	10/20/06	2006	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(8)</sup>	18.0 <sup>(7)</sup>
Santos Express	4250	11/13/06	2006	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(8)</sup>	18.0 <sup>(7)</sup>
Rio de Janeiro Express	4250	3/28/07	2007	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(8)</sup>	18.0 <sup>(7)</sup>
Manila Express	4250	5/23/07	2007	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(8)</sup>	18.0 <sup>(7)</sup>
CSAV Loncomilla	4250	4/28/09	2009	CSAV	6 years	25.9
CSAV Lumaco	4250	5/14/09	2009	CSAV	6 years	25.9
CSAV Lingue	4250	5/17/10	2010	CSAV	6 years	25.9
CSAV Lebu	4250	6/7/10	2010	CSAV	6 years	25.9
UASC Madinah	4250	7/1/10	2009	UASC	2 years	20.5 <sup>(9)</sup>

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Vessel Name	Vessel Class (TEU)	Commencement of Charter	Year Built	Charterer	Length of Time Charter	Daily Charter Rate (in thousands)
COSCO Fuzhou	3500	3/27/07	2007	COSCON	12 years	19.0
COSCO Yingkou	3500	7/5/07	2007	COSCON	12 years	19.0
CSCL Panama	2500	5/15/08	2008	CSCL Asia	12 years	16.8 <sup>(10)</sup>
CSCL Montevideo	2500	9/6/08	2008	CSCL Asia	12 years	16.8 <sup>(10)</sup>
CSCL São Paulo	2500	8/11/08	2008	CSCL Asia	12 years	16.8 <sup>(10)</sup>
CSCL Lima	2500	10/15/08	2008	CSCL Asia	12 years	16.8 <sup>(10)</sup>
CSCL Santiago	2500	11/8/08	2008	CSCL Asia	12 years	16.8 <sup>(10)</sup>
CSCL San Jose	2500	12/1/08	2008	CSCL Asia	12 years	16.8 <sup>(10)</sup>
CSCL Callao	2500	4/10/09	2009	CSCL Asia	12 years	16.8 <sup>(10)</sup>
CSCL Manzanillo	2500	9/21/09	2009	CSCL Asia	12 years	16.8 <sup>(10)</sup>
Guayaquil Bridge	2500	3/8/10	2010	K-Line	10 years	17.9
Calicanto Bridge	2500	5/28/10	2010	K-Line	10 years	17.9

- (1) CSCL Asia has a charter of 12 years with a charter rate of \$34,000 per day, increasing to \$34,500 per day after six years.
- (2) CSCL Asia has an initial charter of 12 years with a charter rate of \$29,500 per day for the first six years, \$29,800 per day for the second six years, and \$30,000 per day during the option period.
- (3) COSCON has an initial charter of 12 years with a charter rate of \$42,900 per day and \$43,400 per day for the three one-year options.
- (4) APM has an initial charter of five years at \$23,450 per day, two consecutive one-year options to charter the vessel at \$22,400 and \$21,400 per day, respectively, and a final two-year option to charter the vessel at \$20,400 per day; provided, however, that APM may declare an initial charter term on one or two vessels that is up to 9 months less than 5 years so long as they declare an initial charter term that is correspondingly greater than 5 years for the same number of vessels. In addition, we pay an affiliate of APM a 0.5% commission on all hire payments for each of the APM charters.
- (5) CSCL Asia has an initial charter of ten years with a charter rate of \$18,000 per day for the first five years, \$18,300 per day for the second five years, and \$19,000 per day for the final two-year option.
- (6) CSCL Asia has an initial charter of ten years with a charter rate of \$19,933 per day for the first five years, \$19,733 per day for the second five years, and \$20,500 per day for the final two-year option.
- (7) HL USA has an initial charter of three years that automatically extends for up to an additional seven years with a charter rate of \$18,000 per day, and \$18,500 per day for the final two one-year options.
- (8) For these charters, the initial term is 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. The charterer is required to pay a termination fee of approximately \$8.0 million to terminate a charter at the end of the initial term. The termination fee declines by \$1.0 million per year per vessel in years four through nine. The initial terms of the charters for these vessels have expired, and these charters have automatically extended pursuant to their terms.
- (9) UASC has a charter of two years with a charter rate of \$20,500 per day for the first year, increasing to \$20,850 per day for the second year. In addition, we pay a 1.25% commission to a broker on all hire payments for this charter.
- (10) 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.

**Table of Contents*****New Vessel Contracts***

One of our principal objectives is to acquire additional containerships over the mid- to long-term as market conditions allow, and to enter into additional primarily long-term, fixed-rate time charters for such ships.

As of August 1, 2010, we contracted to purchase 10 additional containerships and to lease an additional six, all of which are currently or will be under construction. We expect to take delivery of these 16 containerships over approximately the next 21 months.

As at August 1, 2010, the 10 newbuilding containerships that we have contracted to purchase and the six that we have contracted to lease consist of the following vessels:

Vessel	Vessel Class (TEU)	Length of Time Charter <sup>(1)</sup>	Charterer	Daily Charter Rate (in thousands)	Shipbuilder
Hull No. S452	13100	12 years	COSCON	\$ 55.0	HSHI
Hull No. 2177	13100	12 years	COSCON	55.0	HHI
Hull No. S453	13100	12 years	COSCON	55.0	HSHI
Hull No. 2178	13100	12 years	COSCON	55.0	HHI
Hull No. S454	13100	12 years	COSCON	55.0	HSHI
Hull No. 2179	13100	12 years	COSCON	55.0	HHI
Hull No. 2180	13100	12 years	COSCON	55.0	HHI
Hull No. 2181	13100	12 years	COSCON	55.0	HHI
COSCO Thailand	8500	12 years + three one-year options	COSCON	42.9 <sup>(2)</sup>	HHI
COSCO Pakistan	8500	12 years + three one-year options	COSCON	42.9 <sup>(2)</sup>	HHI
COSCO Vietnam	8500	12 years + three one-year options	COSCON	42.9 <sup>(2)</sup>	HHI
Brotonne Bridge	4500	12 years + two three-year options	K-Line	34.3 <sup>(3)</sup>	Samsung
Brevik Bridge	4500	12 years + two three-year options	K-Line	34.3 <sup>(3)</sup>	Samsung
Bilbao Bridge	4500	12 years + two three-year options	K-Line	34.3 <sup>(3)</sup>	Samsung
Berlin Bridge	4500	12 years + two three-year options	K-Line	34.3 <sup>(3)</sup>	Samsung
Budapest Bridge	4500	12 years + two three-year options	K-Line	34.3 <sup>(3)</sup>	Samsung

(1) Each charter begins upon delivery of the vessel to the relevant charterer.

(2) COSCON has an initial charter of 12 years with a charter rate of \$42,900 per day and \$43,400 per day for the three one-year options.

(3) 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 for the first three-year option period and \$42,500 for the second three-year option period.

**Management Overview**

Our operations are managed by our Manager under the supervision of our board of directors. We have entered into long-term management agreements pursuant to which our Manager and its affiliates will provide us with technical, administrative and strategic services. Our Manager is owned by trusts established for members of the Dennis Washington family and by an entity indirectly owned by certain directors and officers of our Manager.

**Corporate Information**

We maintain our principal executive offices at Unit 2, 7th Floor, Bupa Centre, 141 Connaught Road West, Hong Kong, China. Our telephone number is (852) 2540-1686.

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**RISK FACTORS**

*An investment in our securities involves a high degree of risk. You should carefully consider the following risk factors together with all of the other information included in this prospectus, any prospectus supplement and the information that we have incorporated herein by reference in evaluating an investment in us. If any of the following risks were actually to occur, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of any of our securities could decline, and you could lose all or part of your investment. When we offer and sell any securities pursuant to a prospectus supplement, we may include additional risk factors relevant to such securities in the prospectus supplement.*

*We hereby incorporate by this reference all of our risk factors included in our Annual Report on Form 20-F for the year ended December 31, 2009, or our 2009 Annual Report, or included in any Annual or Quarterly Report on Form 20-F or Form 6-K filed after the date of this prospectus.*

***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 (i) at least 75% of its gross income consists of certain types of passive income or (ii) at least 50% of the average value of the corporation's assets produce, or are held for the production of, those types of passive income. For purposes of these tests, passive income includes 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) and does not include income derived from the performance of services.

Based on the current and expected composition of our assets and income (and that of our subsidiaries), we believe that we were not a PFIC for our 2009 taxable year, and we do not expect to become a PFIC with respect to any other taxable year. However, there are legal uncertainties involved in this determination, including *Tidewater Inc. v. United States*, 565 F.3d 299 (5th Cir. 2009), in which the United States Court of Appeals for the Fifth Circuit concluded that certain time charters were appropriately characterized as leases rather than service agreements for purposes of the foreign sales corporation provisions of the Internal Revenue Code of 1986, as amended, or the Code. The U.S. Internal Revenue Service, or IRS, recently issued guidance stating that it disagrees with the holding in *Tidewater* and that the time charters at issue in that case should be treated as service agreements. However, the guidance may not be relied on or cited as precedent, and therefore, no assurance can be given that the IRS would not disagree with our position. Further, our PFIC status for any taxable year will not be determinable until after the end of such taxable year, and accordingly, there can be no assurance that we will not be treated as PFIC for any future taxable year. If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. shareholders would face adverse tax consequences. For a more comprehensive discussion regarding our status as a PFIC and the tax consequences to U.S. shareholders if we are treated as a PFIC, please read U.S. Federal Tax Considerations PFIC Status and Significant Tax Consequences.



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**USE OF PROCEEDS**

Unless we specify otherwise in any prospectus supplement, we will use the net proceeds from the sale of securities offered by this prospectus for capital expenditures, for repayment of indebtedness, for working capital, to make vessel acquisitions or for general corporate purposes.

**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our ratio of earnings to fixed charges for the periods presented:

	For the Six Months Ended	For the Years Ended December 31,				January 1 to August 11, 2005 <sup>(1)</sup>	August 12 to December 31, 2005
	June 30, 2010	2009	2008	2007	2006		
Ratio of earnings to fixed charges <sup>(2)</sup>	(4.7)	2.6	(1.7)	0.5	2.6	1.8	6.9
Dollar amount (in thousands) of deficiency in earnings to fixed charges	176,175		261,229	29,904			

(1) Represents data from our predecessor for the period prior to our initial public offering.

(2) For purposes of calculating the ratios of earnings to fixed charges:

earnings consist of pre-tax income from continuing operations prepared under United States generally accepted accounting principles (which includes non-cash unrealized gains and losses on derivative financial instruments) plus fixed charges, net of capitalized interest and capitalized amortization of deferred financing fees; and

fixed charges represent interest incurred (whether expensed or capitalized) and amortization of deferred financing costs (whether expensed or capitalized) and accretion of discount.

The ratio of earnings to fixed charges is a ratio that we are required to present in this prospectus and has been calculated in accordance with SEC rules and regulations. This ratio is different from the ratios that we are required to maintain under our credit facilities and may not be a ratio used by investors to evaluate our overall operating performance.

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**DESCRIPTION OF CAPITAL STOCK**

**Authorized and Outstanding Shares**

Under our articles of incorporation, our authorized shares consist of 200,000,000 common shares (referred to in our articles of incorporation as the Class A Common Shares), par value \$0.01 per share, 25,000,000 subordinated shares (referred to in our articles of incorporation as the Class B Common Shares), par value \$0.01 per share, 100 incentive shares (referred to in our articles of incorporation as the Class C Common Shares), par value \$0.01 per share, and 65,000,000 shares of preferred shares (referred to in our articles of incorporation as the Preferred Shares), par value \$0.01 per share. On November 1, 2008, the 7,145,000 Class B Common Shares were converted to Class A Common Shares. As of August 1, 2010, 68,171,923 common shares, no subordinated shares, 100 incentive shares and 460,000 preferred shares are issued and outstanding.

***Class A Common Shares***

As of August 1, 2010, 68,171,923 common shares were issued and outstanding.

***Class B Common Shares***

On November 1, 2008, all issued and outstanding Class B Common Shares were converted to Class A Common Shares, and as of August 1, 2010, no Class B Common Shares were issued and outstanding.

***Class C Common Shares***

As of August 1, 2010, 100 incentive shares were issued and outstanding.

***Series A Preferred Shares***

As of August 1, 2010, there were 200,000 Series A Preferred Shares issued and outstanding. The Statement of Designation for the Series A Preferred shares permits us to issue and sell an additional 115,000 Series A Preferred Shares.

***Series B Preferred Shares***

As of August 1, 2010, there were 260,000 Series B Preferred Shares issued and outstanding.

**Transfer Agent**

The registrar and transfer agent for the common shares is American Stock Transfer and Trust Company, LLC.

**Listing**

Our common shares are listed on The New York Stock Exchange under the symbol SSW.

**Characteristics of Our Capital Stock**

A more detailed description of our capital stock and the terms of our shareholder rights plan can be found under the heading Description of Registrant's Securities to be Registered in our registration statement on Form 8-A (File No. 001-32591), filed with the SEC on August 2, 2005. In addition, the rights, preferences and restrictions of the Series A and Series B Preferred Shares are set forth in the Statement of Designation of the Series A Preferred Shares and the Series B Preferred Shares, respectively, which are filed as exhibits to the

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registration statement of which this prospectus forms a part, and described more fully in the section of our 2009 Annual Report entitled Information on the Company B. Business Overview Recent Equity Offerings Our Series A Preferred Share Offering, which is incorporated by reference into this prospectus. You should read the applicable prospectus supplement relating to an offering of shares of our common stock, or of securities convertible, exchangeable or exercisable for shares of our common stock, for the terms of such offering, including the number of shares of common stock offered, the initial offering price and market prices and dividend information relating to our common stock.

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**DESCRIPTION OF PREFERRED SHARES**

Our articles of incorporation authorize our board of directors to establish one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including:

the designation of the series;

the number of shares in the series, which our board of directors may, except where otherwise provided in the preferred shares designation, increase or decrease, but not below the number of shares then outstanding;

whether dividends, if any, will be cumulative or non-cumulative and the dividend rate of the series;

the dates at which dividends, if any, will be payable;

the redemption rights and price or prices, if any, for shares of the series;

the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series;

the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the affairs of our company;

whether the shares of the series will be convertible into shares of any other class or series, or any other security, of our company or any other corporation, and, if so, the specification of the other class or series or other security, the conversion price or prices or rate or rates, any rate adjustments, the date or dates as of which the shares will be convertible and all other terms and conditions upon which the conversion may be made;

restrictions on the issuance of shares of the same series or of any other class or series; and

the voting rights, if any, of the holders of the series.

See "Description of Capital Stock" in this prospectus for information about our issued and outstanding Series A and Series B Preferred Shares. The material terms of any series of preferred shares that we offer through a prospectus supplement will be described in that prospectus supplement.

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**DESCRIPTION OF THE WARRANTS**

**General Description of Warrants**

We may issue warrants for the purchase of common shares, preferred shares or debt securities. Warrants may be issued independently or together with other securities and may be attached to or separate from any offered securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a bank or trust company, as warrant agent. The warrant agent will act solely as our agent in connection with the warrants and will not have any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants. A copy of the warrant agreement will be filed with the SEC in connection with any offering of warrants. The prospectus supplement relating to a particular issue of warrants will describe the terms of the warrants, including, among other things, the following:

the title of the warrants;

the offering price for the warrants, if any;

the aggregate number of the warrants;

the designation and terms of the securities that maybe purchased upon exercise of the warrants;

if applicable, the designation and terms of the securities that the warrants are issued with and the number of warrants issued with each security;

if applicable, the date from and after which the warrants and any securities issued with the warrants will be separately transferable;

the number or principal amount of securities that may be purchased upon exercise of a warrant and the price at which such securities may be purchased upon exercise;

the dates on which the warrants may be exercised;

if applicable, the minimum or maximum amount of the warrants that may be exercised at any one time;

the currency or currency units in which the offering price, if any, and the exercise price are payable;

if applicable, a discussion of material United States federal income tax considerations;

anti-dilution provisions of the warrants, if any;

redemption or call provisions, if any, applicable to the warrants;

terms, procedures, and limitations relating to the exchange and exercise of the warrants; and

any other material terms of the warrants.

**Exercise of Warrants**

Each warrant will entitle the holder of the warrant to purchase at the exercise price set forth in the applicable prospectus supplement the number or principal amount of securities being offered. Holders may exercise warrants at any time up to the close of business on the expiration date or on specified dates set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants are void unless the expiration date is otherwise extended in accordance with the terms of the applicable warrants. Holders may exercise warrants as set forth in the prospectus supplement relating to the warrants being offered. Until you exercise your warrants to purchase securities, you will not have any rights as a holder of such securities, as the case may be, by virtue of your ownership of warrants.

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**DESCRIPTION OF THE RIGHTS**

We may issue rights to purchase common shares, preferred shares, warrants, debt securities or units. These rights may be issued independently or together with any other security offered hereby and may or may not be transferable by the person purchasing or receiving the rights in such offering. In connection with any offering of such rights, we may enter into a standby arrangement with one or more underwriters or other purchasers pursuant to which the underwriters or other purchasers may be required to purchase any securities remaining unsubscribed for after such offering.

We will enter into a rights agent agreement with a bank or trust company, as rights agent. The rights agent will act solely as our agent in connection with the certificates relating to the rights and will not assume any obligation or relationship of agency or trust with any holders of rights certificates or beneficial owners of rights. A copy of the rights certificates relating to each series of rights will be filed with the SEC. The prospectus supplement relating to a particular offering of rights will describe the terms of the rights, including, among other things, the following:

the date of determining the shareholders entitled to the rights distribution;

the number of rights issued or to be issued;

the exercise price payable for each common share, preferred share, warrant or unit of debt securities upon the exercise of the rights;

the number and terms of the common shares, preferred shares, warrants or units of debt securities which may be purchased per each right;

the extent to which the rights are transferable;

the date on which the holder's ability to exercise the rights shall commence and the date on which the rights shall expire;

the extent to which the rights may include an over-subscription privilege with respect to unsubscribed securities;

if applicable, the material terms of any standby underwriting or purchase arrangement entered into by us in connection with the offering of such rights; and

any other terms of the rights, including the terms, procedures, conditions, and limitations relating to the exchange and exercise of the rights.



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**DESCRIPTION OF THE DEBT SECURITIES**

We may issue debt securities from time to time in one or more series, under an indenture to be dated as of a date on or prior to our initial issuance of the debt securities. The following description of debt securities sets forth the material terms and provisions of the debt securities to which any prospectus supplement may relate. Our senior debt securities would be issued under a senior indenture, and our subordinated debt securities would be issued under a subordinated indenture. The senior or subordinated indenture, a form of each of which is included as an exhibit to the registration statement of which this prospectus is a part, will be executed at the time we issue any debt securities. Any supplemental indentures will be filed with the SEC on a Form 6-K or by a post-effective amendment to the registration statement of which this prospectus is a part.

All of the indentures are sometimes referred to in this prospectus collectively as the indentures and each, individually, as an indenture. The particular terms of the debt securities offered by any prospectus supplement, and the extent to which the general provisions described below may apply to the offered debt securities, will be described in the applicable prospectus supplement. The indentures will be qualified under the Trust Indenture Act of 1939, as amended. The terms of the debt securities will include those stated in the indentures and those made part of the indentures by reference to the Trust Indenture Act.

Our statements below relating to the debt securities and the indentures are summaries of their anticipated provisions, are not complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the applicable indenture and any applicable United States federal income tax considerations as well as any applicable modifications of or additions to the general terms described below in the applicable prospectus supplement or supplemental indenture.

**General**

The provisions of the indentures do not limit the aggregate principal amount of debt securities which may be issued thereunder. Unless otherwise provided in a prospectus supplement and an applicable supplemental indenture, the senior debt securities will be our direct, unsecured and unsubordinated general obligations and will have the same rank in liquidation as all of our other unsecured and unsubordinated debt, and the subordinated debt securities will be our unsecured obligations, subordinated in right of payment to the prior payment in full of all of our senior indebtedness with respect to such series, as described below under Subordination of the Subordinated Debt Securities and in the applicable prospectus supplement. The debt securities may be convertible into common shares or other securities if specified in the applicable prospectus supplement.

We may issue the debt securities as original issue discount securities, which will be offered and sold at a substantial discount below their stated principal amount. The prospectus supplement relating to the original issue discount securities will describe federal income tax consequences and other special considerations applicable to them. The prospectus supplement relating to specific debt securities will also describe any special considerations and certain additional tax considerations applicable to such debt securities.

In addition, the specific financial, legal and other terms particular to a series of debt securities are described in the prospectus supplement and any pricing supplement relating to the series. The prospectus supplement relating to a series of debt securities will describe the following terms of the series:

the title of the series of debt securities;

any limit on the aggregate principal amount of the series of debt securities;

the person to whom interest on a debt security is payable, if other than the holder on the regular record date;

the date or dates on which the series of debt securities will mature;

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the rate or rates, which may be fixed or variable, per annum at which the series of debt securities will bear interest, if any, and the date or dates from which that interest, if any, will accrue;

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the place or places where the principal of (and premium, if any) and interest on the debt securities are payable;

the dates on which interest, if any, on the series of debt securities will be payable and the regular record dates for the interest payment dates;

any mandatory or optional sinking funds or similar provisions;

the date, if any, after which and the price or prices at which the series of debt securities may, in accordance with any optional or mandatory redemption provisions, be redeemed and the other detailed terms and provisions of those optional or mandatory redemption provisions, if any;

if other than denominations of \$1,000 and any of its integral multiples, the denominations in which the series of debt securities will be issuable;

the applicability of the provisions described under *Defeasance*;

if the series of debt securities will be convertible into, or exchangeable for, our common stock or other securities, or subordinated in right of payment to our senior debt;

if the debt securities will be secured by any collateral and, if so, a general description of the collateral and of some of the terms of any related security or pledge;

if the series of debt securities will be issuable only in the form of a global security, the depository or its nominee with respect to the series of debt securities and the circumstances under which the global security may be registered for transfer or exchange in the name of a person other than the depository or the nominee; and

any other special feature of the series of debt securities.

**Legal Ownership**

***Street Name and Other Indirect Holders***

Investors who hold debt securities in accounts at banks or brokers will generally not be recognized by us as legal holders of debt securities. This is called holding in street name. Instead, we would recognize only the bank or broker, or the financial institution the bank or broker uses to hold its debt securities. These intermediary banks, brokers and other financial institutions pass along principal, interest and other payments on the debt securities, either because they agree to do so in their customer agreements or because they are legally required to. If you hold debt securities in street name, you should check with your own institution to find out:

how it handles securities payments and notices;

whether it imposes fees or charges;

how it would handle voting if required;

whether and how you can instruct it to send you debt securities registered in your own name so that you can be a direct holder as described below; and

how it would pursue rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests.

***Direct Holders***

Our obligations, as well as the obligations of the trustee and those of any third parties employed by us or the trustee, run only to persons who are registered as holders of debt securities. As noted above, we do not have obligations to you if you hold debt securities in street name or other indirect means, either because you choose to hold debt securities in that manner or because the debt securities are issued in the form of global securities as described below. For example, once we make payment to the registered holder, we have no further responsibility for the payment, even if that holder is legally required to pass the payment along to you as a street name customer but does not do so.

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### **Global Securities**

#### ***What is a Global Security?***

A global security is a special type of indirectly held security, as described above under **Street Name and Other Indirect Holders**. If we choose to issue debt securities in the form of global securities, the ultimate beneficial owners can only be indirect holders. We do this by requiring that the global security be registered in the name of a financial institution we select and by requiring that the debt securities included in the global security not be transferred to the name of any other direct holder unless the special circumstances described below occur. The financial institution that acts as the sole direct holder of the global security is called the depository. Any person wishing to own a debt security must do so indirectly by virtue of an account with a broker, bank or other financial institution that in turn has an account with the depository. The prospectus supplement indicates whether your series of securities will be issued only in the form of global securities.

#### ***Special Investor Considerations for Global Securities***

As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depository, as well as general laws relating to securities transfers. We do not recognize this type of investor as a holder of debt securities and instead deal only with the depository that holds the global security.

If you are an investor, you should be aware that if debt securities are issued only in the form of global securities:

You cannot get debt securities registered in your own name.

You cannot receive physical certificates for your interest in the debt securities.

You will be a street name holder and must look to your own bank or broker for payments on the debt securities and protection of your legal rights relating to the debt securities. See **Legal Ownership** **Street Name and Other Indirect Holders**.

You may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own their securities in the form of physical certificates.

The depository's policies will govern payments, transfers, exchanges and other matters relating to your interest in the global security. We and the trustee have no responsibility for any aspect of the depository's actions or for its records of ownership interest in the global security. We and the trustee also do not supervise the depository in any way.

#### ***Special Situations when Global Security will be Terminated***

In a few special situations described in the next paragraph, the global security will terminate and interests in it will be exchanged for physical certificates representing debt securities. After that exchange, the choice of whether to hold debt securities directly or in street name will be up to you. You must consult your own bank or broker to find out how to have your interests in debt securities transferred to your own name, so that you will be a direct holder. The rights of street name investors and direct holders in the debt securities have been previously described under **Legal Ownership** in the subsections entitled **Street Name and Other Indirect Holders** and **Direct Holders**.

The special situations for termination of a global security are:

When the depository notifies us that it is unwilling, unable or no longer qualified to continue as depository and a successor depository is not appointed by us within 90 days.

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When we notify the trustee that we wish to terminate the global security.

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When an event of default on the securities has occurred and has not been cured, disregarding for this purpose any requirement of notice or that the default exists for a specified period of time. (Default is discussed later under Default and Related Matters. ) The prospectus supplement may also list additional situations for terminating a global security that would apply only to the particular series of debt securities covered by the prospectus supplement. When a global security terminates, the depository (and not us or the trustee) is responsible for deciding the names of the institutions that will be the initial direct holders.

IN THE REMAINDER OF THIS DESCRIPTION YOU MEANS DIRECT HOLDERS AND NOT STREET NAME OR OTHER INDIRECT HOLDERS OF DEBT SECURITIES. INDIRECT HOLDERS SHOULD READ THE PREVIOUS SUBSECTION ENTITLED STREET NAME AND OTHER INDIRECT HOLDERS.

### **Overview of Remainder of this Description**

The remainder of this description summarizes:

Additional Mechanics relevant to the debt securities under normal circumstances, such as how you transfer ownership and where we make payments;

Your rights in several Special Situations, such as if we merge with another company, or if we want to change a term of the debt securities via Modification and Waiver;

A Defeasance clause and a Satisfaction and Discharge provision, each of which may allow for us to be completely released from our payment and other obligations on the debt securities; and

Your rights if we Default.

### **Additional Mechanics**

#### ***Form, Exchange and Transfer***

The debt securities will be issued:

only in fully registered form;

without interest coupons; and

in denominations that are even multiples of \$1,000.

You may have your debt securities divided into more debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed. This is called an exchange.

You may exchange or transfer debt securities at the office of the trustee. The trustee acts as our agent for registering debt securities in the names of holders and transferring debt securities. We may change this appointment to another entity or perform these functions ourselves. The entity performing the role of maintaining the list of registered holders is called the security registrar. It will also perform transfers.

You will not be required to pay a service charge to transfer or exchange debt securities, but you may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange will only be made if we and the security registrar are

satisfied with your proof of ownership.

If we have designated additional transfer agents, they are named in the prospectus supplement. We may cancel the designation of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.



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If the debt securities of any series (or of any series and specified tenor) are to be redeemed in part, we will not be required to (1) issue, register the transfer of or exchange any debt security of that series (or of that series and specified tenor, as the case may be) during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of any such debt security that may be selected for redemption and ending at the close of business on the day of such mailing or (2) register the transfer of or exchange any debt security so selected for redemption, in whole or in part, except the unredeemed portion of any such debt security being redeemed in part.

### ***Payment and Paying Agents***

We will pay interest to you if you are a direct holder listed in the trustee's records at the close of business on a particular day in advance of each due date for interest, even if you no longer own the debt security on the interest due date. That particular day, usually about two weeks in advance of the interest due date, is called the regular record date and is stated in the prospectus supplement. Holders buying and selling debt securities must work out between them how to compensate for the fact that we will pay all the interest for an interest period to the one who is the registered holder on the regular record date. The most common manner is to adjust the sales price of the securities to pro rate interest fairly between buyer and seller. This prorated interest amount is called accrued interest.

We will pay interest, principal and any other money due on the debt securities at the corporate trust office of the trustee. You must make arrangements to have your payments picked up at or wired from that office. We may also choose to pay interest by mailing checks.

**STREET NAME AND OTHER INDIRECT HOLDERS SHOULD CONSULT THEIR BANKS, BROKERS OR OTHER FINANCIAL INSTITUTIONS FOR INFORMATION ON HOW THEY WILL RECEIVE PAYMENTS.**

We may also arrange for additional payment offices, and may cancel or change these offices, including the use of the trustee's corporate trust office. These offices are called paying agents. We may also choose to act as our own paying agent. We must notify you of changes in the paying agents for any particular series of debt securities.

### ***Notices***

We and the trustee will send notices regarding the debt securities only to direct holders, using their addresses as listed in the trustee's records.

Regardless of who acts as paying agent, all money paid by us to a paying agent that remains unclaimed at the end of two years after the amount is due to direct holders will be repaid to us. After that two-year period, you may look only to us for payment and not to the trustee, any other paying agent or anyone else.

### ***Special Situations***

#### ***Mergers and Similar Events***

We are generally permitted to consolidate or merge with another entity. We are also permitted to sell or convey all or substantially all of our assets to another entity. However, we may not take any of these actions unless all of the following conditions are met:

the successor (if not us) is a corporation, partnership, trust or other entity organized and validly existing under the laws of any domestic jurisdiction and assumes our obligations on the debt securities and under the indentures;

immediately before and after giving pro forma effect to the transaction, no event of default, and no event which, after notice or lapse of time or both, would become an event of default, has occurred and is continuing; and

several other conditions, including any additional conditions with respect to any particular debt securities specified in the applicable prospectus supplement, are met.



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**Modification and Waiver**

We may modify or amend an indenture without the consent of any holders of the debt securities in certain circumstances, including:

to evidence the succession under the indenture of another person to us and to provide for its assumption of our obligations to holders of debt securities;

to make any changes that would add any additional covenants of us for the benefit of the holders of debt securities or that do not adversely affect the rights under the indenture of the holders of debt securities in any material respect;

to add any additional events of default;

to provide for uncertificated notes in addition to or in place of certificated notes;

to add to, change or eliminate provisions of the indenture in respect of one or more series of securities, provided such addition, change or elimination shall become effective only when there is no such security outstanding;

to secure the debt securities;

to establish the form or terms of any series of debt securities;

to evidence and provide for the acceptance of appointment under the indenture of a successor trustee;

to cure any ambiguity, defect or inconsistency; or

in the case of any subordinated debt security, to make any change in the subordination provisions that limits or terminates the benefits applicable to any holder of senior debt.

Other modifications and amendments of an indenture may be made by us and the applicable trustee with the consent of the holders of not less than a majority in principal amount of the outstanding debt securities of each series affected by such modification or amendment; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding debt security affected thereby:

change the stated maturity of the principal of, or any installment of principal of or interest on, any debt security;

reduce the principal amount of, or any premium or interest on, any debt security;

reduce the amount of principal of an original issue discount security or any other debt security payable upon acceleration of the maturity thereof;

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change the place or currency of payment of principal of, or any premium or interest on, any debt security;

impair the right to institute suit for the enforcement of any payment due on or any conversion right with respect to any debt security;

modify the subordination provisions in the case of subordinated debt securities, or modify any conversion provisions, in either case in a manner adverse to the holders of the subordinated debt securities;

reduce the percentage in principal amount of outstanding debt securities of any series, the consent of whose holders is required for modification or amendment of the indenture;

reduce the percentage in principal amount of outstanding debt securities of any series necessary for waiver of compliance with certain provisions of the indenture or for waiver of certain defaults;

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modify such provisions with respect to modification, amendment or waiver; or

following the making of an offer to purchase debt securities from any holder that has been made pursuant to a covenant in such indenture, modify such covenant in a manner adverse to such holder.

The holders of not less than a majority in principal amount of the outstanding debt securities of any series may waive compliance by us with certain restrictive provisions of the applicable indenture. The holders of not less than a majority in principal amount of the outstanding debt securities of any series may waive any past default under the applicable indenture, except a default in the payment of principal, premium or interest and certain covenants and provisions of the indenture which cannot be amended without the consent of the holder of each outstanding debt security of such series.

### **Absence of Restrictive Covenants**

The indenture does not contain any promises by us on how we will operate our business, and does not restrict our ability to incur debt or grant liens on our assets. If we determine to include such a promise for the benefit of a particular series of debt securities, such promise, or restrictive covenant, will be described in the prospectus supplement relating to that series of debt securities.

### **Defeasance**

We may be completely released from our payment and other obligations on the debt securities. The following discussion of defeasance will be applicable to your series of debt securities only if we choose to have them apply to that series. If we do so choose, we will state that in the prospectus supplement.

If there is a change in federal tax law, or if we obtain a ruling from the Internal Revenue Service, as described below, we can legally release ourselves from any payment or other obligations on the debt securities, called full or legal defeasance, if we put in place the following arrangements for you to be repaid:

We must deposit in trust for your benefit and the benefit of all direct holders of the debt securities a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates.

There must be a change in federal tax law or a ruling from the Internal Revenue Service that lets us make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities. Under current federal tax law, the deposit and our legal release from the debt securities would be treated as though we took back your debt securities and gave you your share of the cash and notes or bonds deposited in trust. In that event, you could recognize gain or loss on the debt securities you give back to us.

We must deliver to the trustee a legal opinion of our counsel confirming, among other things, the tax law change described above. If we are able to fully defease the debt securities, as described above, you would have to rely solely on the trust deposit for repayment on the debt securities. You could not look to us for repayment.

### **Satisfaction and Discharge**

The indenture will cease to be of further effect as to all debt securities of any series when either:

we have delivered to the trustee for cancellation all debt securities of that series that have been authenticated (except for lost, stolen or destroyed debt securities that have been replaced or paid and debt securities for whose payment money has already been deposited in trust and subsequently returned to us); or

all debt securities of that series have become due and payable or will become due and payable at their stated maturity within one year or are to be called for redemption under arrangements satisfactory to the trustee, and in any case we have deposited with the trustee as trust funds money in an amount

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sufficient to pay the entire indebtedness of all these debt securities to their stated maturity or redemption date; and we have paid all other sums payable by us under the indenture with respect to that series.

Notwithstanding any satisfaction and discharge or any defeasance with respect to the debt securities of any series, your rights of transfer and exchange, your rights to replace lost, stolen or destroyed debt securities, the rights and obligations of the trustee and your rights as beneficiaries with respect to the trust funds deposited with the trustee would survive.

## **Default and Related Matters**

### ***Events of Default***

You will have special rights if an event of default occurs and is not cured, as described later in this subsection.

### ***What is an Event of Default?***

The term *event of default* means any of the following:

failure to pay principal of or any premium on any debt security of that series when due, whether or not, in the case of subordinated debt securities, such payment is prohibited by the subordination provisions of the subordinated indenture;

failure to pay any interest on any debt securities of that series when due, continued for 30 days, whether or not, in the case of subordinated debt securities, such payment is prohibited by the subordination provisions of the subordinated indenture;

failure to deposit any sinking fund payment, if any, when due, in respect of any debt security of that series, whether or not, in the case of subordinated debt securities, such deposit is prohibited by the subordination provisions of the subordinated indenture;

failure to perform or comply with the provisions relating to mergers and similar events;

failure to perform any of our other covenants in such indenture (other than a covenant included in such indenture solely for the benefit of a series other than that series), continued for 60 days after written notice has been given by the applicable trustee, or the holders of at least 25% in principal amount of the outstanding debt securities of that series, as provided in such indenture;

any debt of ourself or any significant subsidiary is not paid within any applicable grace period after final maturity or is accelerated by its holders because of a default and the total amount of such debt unpaid or accelerated exceeds \$40.0 million;

any judgment or decree for the payment of money in excess of \$40.0 million is entered against us or any significant subsidiary and remains outstanding for a period of 90 consecutive days following entry of such judgment and is not discharged, waived or stayed; and

certain events of bankruptcy, insolvency or reorganization affecting us or any significant subsidiary.

### ***Remedies if an Event of Default Occurs***

If an event of default has occurred and has not been cured, the trustee or the holders of at least 25% in principal amount of the debt securities of the affected series may declare the entire principal amount (or, in the case of original issue discount securities, the portion of the principal amount that is specified in the terms of the affected debt security) of all the debt securities of that series, plus accrued interest, to be due and

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immediately payable. This is called a declaration of acceleration of maturity. However, a declaration of acceleration of maturity may be cancelled, but only before a judgment or decree based on the acceleration has been obtained, by the holders of at least a majority in principal amount of the debt securities of the affected series.



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Reference is made to the prospectus supplement relating to any series of debt securities which are original issue discount securities for the particular provisions relating to acceleration of the maturity of a portion of the principal amount of original issue discount securities upon the occurrence of an event of default and its continuation.

Except in cases of default, where the trustee has some special duties, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability, called an indemnity. If reasonable indemnity is provided, the holders of a majority of the aggregate principal amount of the securities of all series affected (voting as one class) may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. The trustee is required, within 90 days of acquiring knowledge of a default with respect to the debt securities of any series, to give you notice of the default, unless the default has been cured or waived before it gives the notice; however, the trustee may withhold notice of any non-payment default if it determines that withholding notice is in the interest of the holders of debt securities of that series.

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

You must give the trustee written notice that an event of default has occurred and remains uncured.

The holders of at least 25% of the outstanding principal amount of all the securities of the relevant series must make a written request that the trustee take action because of an event of default, and must offer reasonable indemnity to the trustee against the cost and other liabilities of taking that action.

The trustee must have not taken action for 60 days after receipt of the above written request and offer of indemnity and no directions inconsistent with the above written request must have been given to the trustee during such period.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your debt security on or after its due date.

**STREET NAME AND OTHER INDIRECT HOLDERS SHOULD CONSULT THEIR BANKS, BROKERS OR OTHER FINANCIAL INSTITUTIONS FOR INFORMATION ON HOW TO GIVE NOTICE OR DIRECTION TO OR MAKE A REQUEST OF THE TRUSTEE AND TO MAKE OR CANCEL A DECLARATION OF ACCELERATION.**

We will furnish to the trustee every year a written statement of certain of our officers certifying that to their knowledge we are in compliance with the indenture and the debt securities, or else specifying any default and indicating the nature and status of the default.

### **Subordination of the Subordinated Debt Securities**

Subordinated debt securities issued will, to the extent set forth in the applicable subordinated indenture, be subordinate in right of payment to the prior payment in full of all of our senior indebtedness, whether outstanding at the date of the subordinated indenture or incurred after that date. In the event of:

any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to us or to our creditors, as such, or to our assets; or

any voluntary or involuntary liquidation, dissolution or other winding up of us, whether or not involving insolvency or bankruptcy;  
or

any assignment for the benefit of creditors or any other marshalling of our assets and liabilities,

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then the holders of our senior indebtedness will be entitled to receive payment in full of all amounts due or to become due on or in respect of all of our senior indebtedness, or provision will be made for the payment in cash,

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before the holders of our subordinated debt securities are entitled to receive or retain any payment on account of principal of, or any premium or interest on, or any additional amounts with respect to, the subordinated debt securities. The holders of our senior indebtedness will be entitled to receive, for application to the payment of the senior indebtedness, any payment or distribution of any kind or character, whether in cash, property or securities, including any payment or distribution which may be payable or deliverable by reason of the payment of any other of our indebtedness being subordinated to the payment of our subordinated debt securities. This payment may be payable or deliverable in respect of our subordinated debt securities in any case, proceeding, dissolution, liquidation or other winding up event.

By reason of subordination, in the event of our liquidation or insolvency, holders of our senior indebtedness and holders of our other obligations that are not subordinated to our senior indebtedness may recover more ratably than the holders of our subordinated debt securities.

Subject to the payment in full of all of our senior indebtedness, the rights of the holders of our subordinated debt securities will be subrogated to the rights of the holders of our senior indebtedness to receive payments or distributions of cash, property or securities applicable to our senior indebtedness until the principal of, any premium and interest on, and any additional amounts with respect to, our subordinated debt securities have been paid in full.

No payment of principal, including redemption and sinking fund payments, of, or any premium or interest on, or any additional amounts with respect to our subordinated debt securities, or payments to acquire these securities, other than pursuant to their conversion, may be made:

if any of our senior indebtedness is not paid when due and any applicable grace period with respect to the default has ended and the default has not been cured or waived or ceased to exist, or

if the maturity of any of our senior indebtedness has been accelerated because of a default.

The subordinated indenture does not limit or prohibit us from incurring additional senior indebtedness, which may include indebtedness that is senior to our subordinated debt securities, but subordinate to our other obligations.

The subordinated indenture provides that these subordination provisions, insofar as they relate to any particular issue of subordinated debt securities by us, may be changed prior to the issuance. Any change would be described in the applicable prospectus supplement.

### **Concerning the Trustee**

The prospectus supplement relating to any series of debt securities will identify the trustee and describe any other relationships we may have with the trustee.

The indenture will contain certain limitations on the right of the trustee, should it become a creditor of ours, to obtain payment of claims in certain cases, or to realize for its own account on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in certain other transactions; however, if after an event of default has occurred and is continuing, the trustee acquires any conflicting interest (as described in the indenture) it must eliminate such conflict or resign.

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**DESCRIPTION OF UNITS**

The following description, together with the additional information we include in any applicable prospectus supplement, summarizes the material terms and provisions of the units that we may offer under this prospectus. Units may be offered independently or together with common stock, preferred stock, warrants, rights and debt securities offered by any prospectus supplement, and may be attached to or separate from those securities. While the terms we have summarized below will generally apply to any future units that we may offer under this prospectus, we will describe the particular terms of any series of units that we may offer in more detail in the applicable prospectus supplement. The terms of any units offered under a prospectus supplement may differ from the terms described below.

We will incorporate by reference into the registration statement of which this prospectus is a part the form of unit agreement, including a form of unit certificate, if any, that describes the terms of the series of units we are offering before the issuance of the related series of units. The following summaries of material provisions of the units and the unit agreements are subject to, and qualified in their entirety by reference to, all the provisions of the unit agreement applicable to a particular series of units. We urge you to read the applicable prospectus supplements related to the units that we sell under this prospectus, as well as the complete unit agreements that contain the terms of the units.

**General**

We may issue units consisting of common stock, preferred stock, warrants, rights and debt securities, or in combination thereof. Each unit will be issued so that the holder of the unit is also the holder of each security included in the unit. Thus, the holder of a unit will have the rights and obligations of a holder of each included security. The unit agreement under which a unit is issued may provide that the securities included in the unit may not be held or transferred separately, at any time, or at any time before a specified date.

We will describe in the applicable prospectus supplement the terms of the series of units, including the following:

the designation and terms of the units and of the securities comprising the units, including whether and under what circumstances those securities may be held or transferred separately;

any provisions of the governing unit agreement that differ from those described below; and

any provisions for the issuance, payment, settlement, transfer, or exchange of the units or of the securities comprising the units. The provisions described in this section, as well as those described under Description of Capital Stock, Description of Debt Securities, Description of the Rights, and Description of the Warrants, will apply to each unit and to any common stock, preferred stock, warrant, right or debt security included in each unit, respectively.

**Issuance in Series**

We may issue units in such amounts and in such numerous distinct series as we determine.

**Enforceability of Rights by Holders of Units**

Each unit agent will act solely as our agent under the applicable unit agreement and will not assume any obligation or relationship of agency or trust with any holder of any unit. A single bank or trust company may act as unit agent for more than one series of units. A unit agent will have no duty or responsibility in case of any default by us under the applicable unit agreement or unit, including any duty or responsibility to initiate any

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proceedings at law or otherwise, or to make any demand upon us. Any holder of a unit, without the consent of the related unit agent or the holder of any other unit, may enforce by appropriate legal action its rights as holder under any security included in the unit.

**Title**

We, the unit agent, and any of their agents may treat the registered holder of any unit certificate as an absolute owner of the units evidenced by that certificate for any purposes and as the person entitled to exercise the rights attaching to the units so requested, despite any notice to the contrary.

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**U.S. FEDERAL TAX CONSIDERATIONS**

The following is a discussion of the expected material U.S. federal income tax considerations applicable to us and the ownership and disposition of our common shares. This discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended, or the Code, final and temporary regulations promulgated thereunder, or the Treasury Regulations, administrative rulings and pronouncements and judicial decisions, all as in effect currently and during the year ended December 31, 2009, or our 2009 Year, and all of which are subject to change, possibly with retroactive effect. 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 or an investment in us. No ruling has been or will be requested from the IRS regarding any matter affecting us or our shareholders. The statements made herein may be challenged by the IRS and, if so challenged, may not be sustained upon review in a court.

**U.S. Federal Income Taxation of Our Company**

***Taxation of Operating Income***

Unless exempt from U.S. federal income taxation under the rules contained in Section 883 of the Code, a non-U.S. corporation that earns U.S. source transportation income is subject to U.S. federal income taxation under one of two alternative tax regimes: (i) the net basis tax and branch profits tax or (ii) the 4% gross basis tax. For this purpose, 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 or bareboat charter income. Further, for this purpose, (i) 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 50% derived from sources within the United States, (ii) 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, and (iii) transportation income attributable to transportation exclusively between non-U.S. destinations is considered to be 100% derived from sources outside the United States.

We believe that we did not earn any U.S. Source Domestic Transportation Income during our 2009 Year, and we expect that we will not earn any such income in future years. However, certain of our activities gave rise to U.S. Source International Transportation Income during our 2009 Year, 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 tax and branch profits tax or the 4% gross basis tax, both of which are discussed below.

***The Net Basis Tax and Branch Profits Tax***

If the Section 883 Exemption does not apply, the U.S. source portion of 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 involved in the earning of U.S. Source International Transportation Income 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.

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 is currently 35%) as well as a 30% branch profits tax imposed under Section 884 of the Code. In addition, a 30% branch profits tax could be imposed on certain interest paid, or deemed paid, by us.

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If we were to sell a vessel that has produced Effectively Connected Income, we generally would be subject to the net basis corporate income tax as well as to the 30% branch profits tax 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 gain is not attributable to an office or other fixed place of business maintained by us in the United States under U.S. federal income tax principles.

We believe that during our 2009 Year we did 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 earned during our 2009 Year is 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 result in our U.S. Source International Transportation Income being treated as Effectively Connected Income and our being subject to the net basis tax and branch profits tax as described above.

***The 4% Gross Basis Tax***

Provided we are not subject to the net basis tax and the branch profits tax described above, we generally will be subject to a 4% U.S. federal income tax on the U.S. source portion of our U.S. Source International Transportation Income (without benefit of deductions) unless the Section 883 Exemption applies (as more fully described below) and we file a U.S. federal income tax return to claim that exemption.

***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 tax and branch profits tax or the 4% gross basis tax described above 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 satisfies the following three requirements:

- (i) it is organized in a jurisdiction outside the United States that grants an exemption from tax to U.S. corporations on the types of U.S. Source International Transportation Income that the non-U.S. corporation earns, or an Equivalent Exemption;
- (ii) it satisfies one of the following three ownership tests: (a) the Qualified Shareholder Test, (b) the Controlled Foreign Corporation Test, or (c) the Publicly Traded Test; and
- (iii) it 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 exemption from tax to U.S. corporations on the type of income we have earned and are expected to earn; therefore, we meet the first requirement for the Section 883 Exemption.

Regarding the second requirement for the Section 883 Exemption, we do not believe that we met the Qualified Shareholder Test or the Controlled Foreign Corporation Test with respect to our 2009 Year, and we do not expect to meet those tests in future years. The analysis of our ability to meet the Publicly Traded Test follows.

***The Publicly Traded Test***

In order to meet the Publicly Traded Test, the stock of the non-U.S. corporation at issue must be regularly traded and primarily traded on one or more established securities markets either in the United States or in a

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jurisdiction outside the United States that grants an Equivalent Exemption. Stock of a non-U.S. corporation will be considered to be regularly traded on an established securities market if such stock satisfies certain listing and trading requirements. Generally, the listing requirement will be satisfied if one or more classes of the non-U.S. corporation's stock that, in the aggregate, represent more than 50% of the vote and value of all of the corporation's outstanding stock are listed on an established market during such year. The trading volume requirement generally will be satisfied if, with respect to each class of stock relied on to meet the listing requirement, (i) trades in such class are effected, other than in minimal quantities, on an established securities market on at least 60 days during the taxable year and (ii) the aggregate number of shares in such class of stock that are traded on an established securities market during the taxable year is at least 10% of the average number of shares outstanding in that class during the taxable year (with special rules for short taxable years). Alternatively, if the stock of the non-U.S. corporation is traded during the taxable year on an established securities market in the United States and the stock is regularly quoted by dealers making a market in the stock within the meaning of the Section 883 Regulations, the stock will be considered regularly traded on an established securities market in the United States. Notwithstanding these rules, a class of stock will not be treated as regularly traded on an established securities market if, for more than half of the number of days during the taxable year, one or more 5% shareholders (*i.e.*, a shareholder that holds, directly, indirectly or constructively, at least 5% of the vote and value of a class of stock) own in the aggregate 50% or more of the vote and value of that class, unless the corporation can establish that a sufficient proportion of such shareholders are qualified shareholders for purposes of the Section 883 Exemption so as to preclude other persons who are 5% shareholders from owning 50% or more of the value of that class for more than half the days during the taxable year. For purposes of the Section 883 Exemption, qualified shareholders include individual residents of jurisdictions that grant an Equivalent Exemption and non-U.S. corporations organized in jurisdictions that grant an Equivalent Exemption and that meet the Publicly Traded Test.

The stock of a non-U.S. corporation will be considered to be primarily traded on one or more established securities market in a given country if, with respect to the class or classes of stock relied on to meet the regularly traded requirement described above, the number of shares of each such class of stock that are traded on established securities markets in that country exceeds the number of shares in such class that are traded during that year on established securities markets in any other single country.

Because our common shares are and have been traded solely on the New York Stock Exchange, which is considered to be an established securities market in the United States, we believe our common shares are and have been primarily traded on an established securities market for purposes of the Publicly Traded Test. Additionally, we believe our common shares represented more than 50% of our outstanding stock by voting power and value during our 2009 Year, our common shares satisfied the listing and trading volume requirements described above for our 2009 Year, and 50% or more of common shares were not owned by 5% shareholders at any time during such year. Consequently, we believe we satisfied the Publicly Traded Test, and therefore qualified for the Section 883 Exemption, for our 2009 Year.

While there can be no assurance that we will continue to meet the requirements of the Publicly Traded Test and while our board of directors could determine that it is in our best interests to take an action that would result in our not being able to satisfy the Publicly Traded Test, we expect to continue to satisfy the requirements of the Publicly Traded Test and the Section 883 Exemption for future years.

**U.S. Federal Income Taxation of U.S. Shareholders**

As used herein, the term U.S. Shareholder means a beneficial owner of our common shares that is (i) an individual U.S. citizen or resident (as determined for U.S. federal income tax purposes), (ii) a corporation (or other entity that is treated as a corporation for U.S. federal income tax purposes) organized under the laws of the United States or any of its political subdivisions, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (a) a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to



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control all substantial decisions of the trust or (b) the trust has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes.

This discussion applies only to beneficial owners of our common 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, partnerships or other pass-through entities and their investors or former citizens or long-term residents of the United States) or shareholders that will hold our common 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 tax rules that differ significantly from those summarized below. If a partnership or other entity treated as a partnership for U.S. federal income tax purposes holds our common shares, the tax treatment of its partners generally will depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership holding our common shares, you should consult your tax advisor to determine the appropriate tax treatment to you of the partnership's ownership of our common shares.

This discussion does not contain information regarding any U.S. state or local, estate, gift or alternative minimum tax considerations concerning the ownership or disposition of our common shares. Shareholders are urged to consult their own tax advisors regarding the U.S. federal, state, local and other tax consequences of owning and disposing of our common shares.

***Distributions on Our Common Shares***

Subject to the discussion below regarding the rules applicable to passive foreign investment companies, or PFICs, any distributions made by us with respect to our common shares to a U.S. Shareholder 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, as determined under U.S. federal income tax principles. Distributions in excess of our current and accumulated earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Shareholder's tax basis in our common shares on a dollar-for-dollar basis and thereafter as capital gain, which will be either long-term or short-term capital gain depending upon whether the U.S. Shareholder held the common shares for more than one year. U.S. Shareholders 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 common shares will be treated as foreign source income and generally will be treated as passive category income.

Dividends received with respect to our common shares by a U.S. Shareholder who is an individual, trust or estate, or a U.S. Individual Shareholder, generally will be treated as qualified dividend income that is taxable to such U.S. Individual Shareholder at preferential capital gain tax rates, provided that: (i) our common shares are readily tradable on an established securities market in the United States (such as the New York Stock Exchange on which our common shares are currently traded); (ii) we are not a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year (which we do not believe we are, have been or will be, as discussed below); and (iii) the U.S. Individual Shareholder has owned our common shares for more than 60 days in the 121-day period beginning 60 days before the date on which the common shares become ex-dividend. There is no assurance that any dividends paid on our common shares will be eligible for these preferential rates in the hands of a U.S. Individual Shareholder, and any dividends paid on our common shares that are not eligible for these preferential tax rates generally are taxed as ordinary income to a U.S. Individual Shareholder. In the absence of legislation extending the term of the preferential tax rates for qualified dividend income, all dividends received by a taxpayer in tax years beginning on or after January 1, 2011 will be taxed at rates applicable to ordinary income.

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Special rules may apply to any amounts received in respect of our common shares that are treated as extraordinary dividends. Generally, an extraordinary dividend is a dividend with respect to a common share that is equal to or in excess of 10% of a shareholder's adjusted tax basis (or fair market value upon the shareholder's election) in such common 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 common shares that is treated as qualified dividend income, then any loss recognized by a U.S. Individual Shareholder from the sale or exchange of such common shares will be treated as long-term capital loss to the extent of the amount of such dividend.

The recently enacted Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act of 2010 will impose a 3.8% Medicare tax on certain investment income, including dividends, earned by individuals, estates or trusts for taxable years beginning after December 31, 2012.

***Consequences of Possible CFC Classification***

If more than 50 percent of either the total combined voting power of our outstanding shares entitled to vote or the total value of all of our outstanding shares were owned, directly, indirectly or constructively, by citizens or residents of the United States, U.S. partnerships or corporations, or U.S. estates or trusts (as defined for U.S. federal income tax purposes), each of which owned, directly, indirectly or constructively, 10% or more of the total combined voting power of our outstanding shares entitled to vote (each, a CFC Shareholder), we could be treated as a controlled foreign corporation, or a CFC. CFC Shareholders are treated as receiving current distributions of their shares of certain income of the CFC without regard to any actual distributions and are subject to other 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. Although we do not believe we are or will become a CFC, U.S. persons purchasing a substantial interest in us should consider the potential implications of being treated as a CFC Shareholder in the event we become a CFC in the future.

***Sale, Exchange or Other Disposition of Our Common Shares***

Subject to the discussion of PFICs, below, a U.S. Shareholder generally recognizes capital gain or loss upon a sale, exchange or other disposition of our common shares in an amount equal to the difference between the amount realized by the shareholder from such sale, exchange or other disposition and the shareholder's tax basis in such shares. A U.S. Shareholder's ability to deduct capital losses is subject to certain limitations.

Subject to the discussion of extraordinary dividends above, gain or loss recognized upon a sale, exchange or other disposition of our common shares will be (i) treated as long-term capital gain or loss if the U.S. Shareholder's holding period is greater than one year at the time of the sale, exchange or other disposition and (ii) generally treated as U.S. source income or loss, as applicable, for foreign tax credit purposes. Certain U.S. Shareholders, including individuals, may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains.

***PFIC Status and Significant Tax Consequences***

Special and adverse U.S. federal income tax rules apply to a U.S. Shareholder 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 (i) at least 75% of our gross income (including the gross income of our subsidiaries) consists of passive income (*e.g.*, dividends, interest, capital gains and rents derived other than in the active conduct of a rental business), or (ii) at least 50% of the average value of the assets held by us (including the assets of our subsidiaries) is attributable to assets that produce passive income or are held for the production of passive income. For purposes of determining whether we are a PFIC, income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income.

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Based on the composition of our assets and income (and that of our subsidiaries) for our 2009 Year, we believe that we were not a PFIC for such year. Furthermore, based on the expected composition of our assets and income (and that of our subsidiaries), we do not expect to become a PFIC with respect to any future years. Our belief in this regard is based principally on the position that, for purposes of determining whether we are a PFIC, the majority, if not all, of the gross income we derive (or are deemed to derive) from the chartering activities of our wholly owned subsidiaries should constitute service income rather than rental income. Correspondingly, such income should not constitute passive income, and the assets owned and operated by us or our subsidiaries in connection with the production of such income (in particular, the vessels) should not constitute passive assets under the PFIC rules. We believe there is substantial legal authority supporting our position consisting of case law and IRS pronouncements concerning the characterization of income derived from time charters as services income for other tax purposes. However, there is no legal authority specifically relating to the statutory provisions governing PFICs or relating to circumstances substantially similar to ours. Moreover, in *Tidewater Inc. v. United States*, 565 F.3d 299 (5<sup>th</sup> Cir. 2009), the United States Court of Appeals for the Fifth Circuit concluded that certain time charters were appropriately characterized as leases rather than service agreements for purposes of the foreign sales corporation provisions of the Code. While the IRS recently issued guidance stating that it disagrees with the holding in *Tidewater* and further stated that the time charters at issue there should be treated as services agreements, the guidance cannot be relied on or otherwise cited as precedent by taxpayers. Therefore, no assurance can be given that the IRS will agree with our position.

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 common shares may be treated as reflecting the value of our assets at any given time. Therefore, a decline in the market value of our common shares (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. Shareholder generally would be subject to one of three different U.S. income tax regimes, depending on whether the shareholder makes certain elections.

***Taxation of U.S. Shareholders Making a Timely QEF Election***

If we were classified as a PFIC for a taxable year, a U.S. Shareholder 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 his pro rata share of our ordinary earnings and our net capital gain, if any, for our taxable year that ends with or within the shareholder's taxable year regardless of whether the shareholder 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 shareholder's adjusted tax basis in our common 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 shareholder's adjusted tax basis in our common shares. The shareholder generally would recognize capital gain or loss on the sale, exchange or other disposition of our common shares.

A U.S. Shareholder would make a QEF Election with respect to any year that we are a PFIC by filing one copy of IRS Form 8621 with his U.S. federal income tax return and a second copy in accordance with the instructions to such form.

***Taxation of U.S. Shareholders 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 common shares are treated as marketable stock, then a U.S. Shareholder would be allowed to make a mark-to-market

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election with respect to our common shares, provided the shareholder completes and files IRS Form 8621 in accordance with the relevant instructions. If that election is made, the shareholder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of our common shares at the end of the taxable year over the shareholder's adjusted tax basis in our common shares. The shareholder also would be permitted an ordinary loss in respect of the excess, if any, of the shareholder's adjusted tax basis in our common 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 shareholder's tax basis in our common shares would be adjusted to reflect any such income or loss recognized. Gain realized on the sale, exchange or other disposition of our common shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of our common 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 shareholder.

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

the excess distribution or gain would be allocated ratably over the shareholder's aggregate holding period for our common 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 shareholder would be taxed as ordinary income; and

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. Additionally, if the shareholder is an individual who dies while owning our common shares, such shareholder's successor generally would not receive a step-up in tax basis with respect to such shares.

**U.S. Federal Income Taxation of Non-U.S. Shareholders**

A beneficial owner of our common 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. Shareholder is referred to as a non-U.S. Shareholder.

***Distributions on Our Common Shares***

In general, a non-U.S. Shareholder is not subject to U.S. federal income tax on distributions received from us with respect to our common shares unless the distributions are effectively connected with the shareholder'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 shareholder maintains in the United States).

***Sale, Exchange or Other Disposition of Our Common Shares***

In general, a non-U.S. Shareholder is not subject to U.S. federal income tax on any gain resulting from the disposition of our common shares unless (i) such gain is effectively connected with the shareholder'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 shareholder maintains in the United States) or (ii) the shareholder is an

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individual who is present in the United States for 183 days or more during the taxable year in which those shares are disposed (and certain other requirements are met).

**Backup Withholding and Information Reporting**

In general, payments of distributions or the proceeds of a disposition of our common shares to a non-corporate U.S. Shareholder will be subject to information reporting requirements. These payments to a non-corporate U.S. Shareholder also may be subject to backup withholding if the shareholder:

fails to provide an accurate taxpayer identification number;

is notified by the IRS that he has failed to report all interest or corporate distributions required to be shown on his U.S. federal income tax returns; or

in certain circumstances, fails to comply with applicable certification requirements.

Non-U.S. Shareholders 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-8ECI or W-8IMY, as applicable.

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

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**NON-U.S. TAX CONSIDERATIONS**

**Marshall Islands Tax Consequences**

The following discussion is the opinion of Reeder & Simpson, P.C., our counsel as to matters of the laws of the Republic of the Marshall Islands, and the current laws of the Republic of the Marshall Islands applicable to persons who do not reside in, maintain offices in or engage in business in the Republic of the Marshall Islands.

Because we do not, and we do not expect that we will, conduct business or operations in the Republic of the Marshall Islands, and because all documentation related to this offering will be executed outside of the Republic of the Marshall Islands, under current Marshall Islands law you will not be subject to Marshall Islands taxation or withholding on distributions, including upon a return of capital, we make to you as a shareholder. In addition, you will not be subject to Marshall Islands stamp, capital gains or other taxes on the purchase, ownership or disposition of common shares, and you will not be required by the Republic of the Marshall Islands to file a tax return relating to the common shares.

Each prospective shareholder is urged to consult his tax counsel or other advisor with regard to the legal and tax consequences, under the laws of pertinent jurisdictions, including the Marshall Islands, of his 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 him.

**Canadian Federal Income Tax Consequences**

The following discussion is the opinion of Farris, Vaughan, Wills & Murphy LLP, our Canadian tax counsel, as to the material Canadian federal income tax consequences under the Income Tax Act (Canada) (the Canada Tax Act), as of the date of this prospectus, that we believe are relevant to holders of common shares acquired in this offering 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). Holders that are United States limited liability companies 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 in 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 taxation year if our principal business is the operation of ships that are used primarily in transporting passengers or goods in international traffic, all or substantially all of our gross revenue for the year consists of gross revenue from the operation of ships in transporting passengers or goods in that international traffic, and we were not granted articles of continuance in Canada before the end of the year. Income earned in Canada by a non-resident corporation from the operation of a ship in international traffic, and gains realized from the disposition of ships used principally in international traffic, are not included in a non-resident corporation's income for Canadian tax purposes where the corporation's country of residence grants substantially similar relief to a Canadian resident. For a further discussion, separate from this opinion, of the tax consequences of us becoming a resident in Canada, please read Risk Factors Tax Risks in our latest Annual Report on Form 20-F.

Each prospective shareholder is urged to consult his tax counsel or other advisor with regard to the legal and tax consequences, under the laws of pertinent jurisdictions, including Canada, of his 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 him.

**Table of Contents****OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION**

We estimate the expenses in connection with the issuance and distribution of our common shares in this offering, other than underwriting discounts and commissions, as follows:

SEC Registration Fee	\$ 71,300
Printing and Engraving Expenses	*
Legal Fees and Expenses	*
Accountants' Fees and Expenses	*
NYSE Listing Fee	*
FINRA Filing Fee	*
Blue Sky Fees and Expenses	*
Transfer Agent's Fees and Expenses	*
Miscellaneous Costs	*
 Total	 \$ *

\* To be provided by a prospectus supplement or as an exhibit to Report on Form 6-K that is incorporated by reference into this prospectus.

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**LEGAL MATTERS**

The validity of the securities and certain other legal matters with respect to the laws of the Republic of the Marshall Islands will be passed upon for us by our counsel to Marshall Islands Law, Reeder & Simpson, P.C. Certain other legal matters will be passed upon for us by Farris, Vaughan, Wills & Murphy LLP, Vancouver, British Columbia and by Vinson & Elkins L.L.P., New York, New York. Farris, Vaughan, Wills & Murphy LLP and Vinson & Elkins L.L.P. may rely on the opinions of Reeder & Simpson, P.C. for all matters of Marshall Islands law.



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**PLAN OF DISTRIBUTION**

We may sell securities described in this prospectus and any accompanying prospectus supplement through one or more underwriters for public offering and sale, and we also may sell securities to investors directly, through the exercise of warrants or rights, or through one or more broker-dealers or agents.

We will prepare a prospectus supplement for each offering that will disclose the terms of the offering, including the name or names of any underwriters, dealers or agents, the purchase price of the securities and the proceeds to us from the sale, any underwriting discounts and other items constituting compensation to underwriters, dealers or agents.

We will fix a price or prices of our securities at:

market prices prevailing at the time of any sale under this registration statement;

prices related to market prices; or

negotiated prices.

We may change the price of the securities offered from time to time.

If we use underwriters or dealers in the sale, they will acquire the securities for their own account and they may resell these securities from time to time in one or more transactions (which may involve crosses and block transactions), including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The securities may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more of such firms. Unless otherwise disclosed in the prospectus supplement, the obligations of the underwriters to purchase securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all of the securities offered by the prospectus supplement if any are purchased. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

If a prospectus supplement so indicates, the underwriters may, pursuant to Regulation M under the Securities Exchange Act of 1934, engage in transactions, including stabilization bids or the imposition of penalty bids, that may have the effect of stabilizing or maintaining the market price of the securities at a level above that which might otherwise prevail in the open market.

We may sell the securities directly or through agents designated by us from time to time, including in connection with a distribution to our security holders of rights to purchase such securities. We will name any agent involved in the offering and sale of the securities for which this prospectus is delivered, and disclose any commissions payable by us to the agent or the method by which the commissions can be determined, in the prospectus supplement. Unless otherwise indicated in the prospectus supplement, any agent will be acting on a best efforts basis for the period of its appointment.

We may agree to indemnify underwriters, dealers and agents who participate in the distribution of securities against certain liabilities to which they may become subject in connection with the sale of the securities, including liabilities arising under the Securities Act of 1933.

Certain of the underwriters, dealers and agents and their affiliates may be customers of, may engage in transactions with and may perform services for us or our affiliates in the ordinary course of business.

A prospectus and accompanying prospectus supplement in electronic form may be made available on the web sites maintained by the underwriters. The underwriters may agree to allocate a number of securities for sale to their online brokerage account holders. Such allocations of securities for internet distributions will be made on the same basis as other allocations. In addition, securities may be sold by the underwriters to securities dealers who resell securities to online brokerage account holders.

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We may offer our units into an existing trading market on terms described in the prospectus supplement relating thereto. Underwriters and dealers who may participate in any at-the-market offerings will be described in the prospectus supplement relating thereto.

We may offer securities solicited directly by us and sell directly to institutional investors or offers, who may be deemed to be underwriters within the meaning of the Securities Act of 1933 with respect to any resale thereof. The terms of any such sales will be described in the prospectus supplement relating thereto.

Because FINRA views our common units as a direct participation program, any offering of common units under the registration statement, of which this prospectus forms a part, will be made in compliance with Rule 2310 of the FINRA Conduct Rules.

To the extent required, this prospectus may be amended or supplemented from time to time to describe a specific plan of distribution. The place and time of delivery for the securities in respect of which this prospectus is delivered will be set forth in the accompanying prospectus supplement.

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**EXPERTS**

The consolidated financial statements of Seaspan Corporation as of December 31, 2009 and 2008 and for each of the three years in the three year period ended December 31, 2009 and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2009 have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, which reports are also incorporated herein by reference, and upon the authority of said firm as experts in accounting and auditing.

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### **WHERE YOU CAN FIND ADDITIONAL INFORMATION**

This prospectus is part of a registration statement on Form F-3 that we filed with the Securities and Exchange Commission, or SEC, utilizing a shelf registration process or continuous offering process. Under this shelf registration process, we may, from time to time, sell up to \$1,000,000,000 of the securities described in this prospectus in one or more offerings. Each time we offer securities, we will provide you with this prospectus and a prospectus supplement that will describe, among other things, the specific amounts and prices of the securities being offered and the terms of the offering, including, in the case of warrants, rights and debt securities, the specific terms of the securities.

That prospectus supplement may include additional risk factors or other special considerations applicable to those securities and may also add, update, or change information in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in that prospectus supplement.

### **Government Filings**

We file annual and special reports within the Commission. You may read and copy any document that we file at the public reference facilities maintained by the Commission at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330, and you may obtain copies at prescribed rates from the Public Reference Section of the Commission at its principal office in Washington, D.C. 20549. The Commission maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. In addition, you can obtain information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

### **Information Incorporated by Reference**

The Commission allows us to incorporate by reference information that we file with it. This means that we can disclose important information to you by referring you to those filed documents. The information incorporated by reference is considered to be a part of this prospectus, and information that we file later with the Commission prior to the termination of this offering will also be considered to be part of this prospectus and will automatically update and supersede previously filed information, including information contained in this document.

We incorporate by reference the documents listed below:

Current Reports on Form 6-K, dated May 13, 2010, June 4, 2010 and August 5, 2010;

Annual Report on Form 20-F for the year ended December 31, 2009, filed with the Commission on March 19, 2010; and

The description of our securities contained in (a) our registration statement on Form 8-A (File No. 001-32591), filed with the SEC on August 2, 2005 and (b) any amendment or report filed for the purpose of updating that description.

We are also incorporating by reference all subsequent annual reports on Form 20-F that we file with the Commission and certain Reports on Form 6-K that we furnish to the Commission after the date of this prospectus (if they state that they are incorporated by reference into this prospectus) until we file a post-effective amendment indicating that the offering of the securities made by this prospectus has been terminated. In all cases, you should rely on the later information over different information included in this prospectus or the prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus and any accompanying prospectus supplement. We have not, and any underwriters have not, authorized any other person

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to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and any accompanying prospectus supplement as well as the information we previously filed with the Commission and incorporated by reference, is accurate as of the dates on the front cover of those documents only. Our business, financial condition and results of operations and prospects may have changed since those dates.

You may request a free copy of the above mentioned filings or any subsequent filing we incorporated by reference to this prospectus by writing or telephoning us at the following address:

Seaspan Corporation

Unit 2, 7th Floor

Bupa Centre 141

Connaught Road West

Hong Kong

China

(852) 2540-1686

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**ENFORCEMENT OF CIVIL LIABILITIES**

We are a Marshall Islands company and our executive offices are located outside of the United States in Hong Kong. A majority of our directors and officers and some of the experts in this prospectus reside outside the United States. In addition, a substantial portion of our assets and the assets of our directors, officers and experts are located outside of the United States. As a result, you may have difficulty serving legal process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in U.S. courts against us or these persons in any action, including actions based upon the civil liability provisions of U.S. federal or state securities laws.

Furthermore, there is substantial doubt that the courts of the Marshall Islands or Hong Kong would (1) enter judgments in original actions brought in those courts predicated on U.S. federal or state securities laws, or (2) recognize or enforce against us or any of our officers, directors or experts judgments of courts of the United States predicated on U.S. federal or state securities laws.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

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**FORWARD-LOOKING STATEMENTS**

Our disclosure and analysis in the prospectus 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. 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, potential, 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 prospectus in the section titled Risk Factors. These forward-looking statements represent our estimates and assumptions only as of the date of this prospectus 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 prospectus. These risks and uncertainties include, but are not limited to:

future operating or financial results;

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

pending acquisitions, business strategy and expected capital spending;

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

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

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

estimated future capital expenditures needed to preserve our capital base;

our expectations about the availability of ships to purchase, the time that it may take to construct new ships, or the useful lives of our ships;

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

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

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

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

potential liability from future litigation; and

other factors discussed in the section titled Risk Factors.

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. We make no prediction or statement about the performance of our securities.



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**2,700,000 Shares**

**Seaspn Corporation**

**7.95% Series D Cumulative Redeemable Perpetual  
Preferred Shares**

**PROSPECTUS SUPPLEMENT**

*Joint Book-Running Managers*

**Jefferies**

**Incapital**

*Sole Structuring Agent*

**Credit Suisse**

*Co-Managers*

**DNB Markets**

# **SMBC Nikko**

December 10, 2012