

Seaspan CORP
Form 6-K
May 03, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

Commission File Number 1-32591

SEASPAN CORPORATION

(Exact name of Registrant as specified in its Charter)

Unit 2, 2nd Floor

Bupa Centre

141 Connaught Road West

Hong Kong

China

(Address of principal executive office)

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

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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101

(b)(1). Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101

(b)(7). Yes No

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Item 1 — Information Contained in this Form 6-K Report

Attached as Exhibit I is Seaspan Corporation's report on Form 6-K, or this Report, for the quarter ended March 31, 2019. This Report is hereby incorporated by reference into: the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission, (the "SEC"), on May 30, 2008 on Form F-3D (Registration No. 333-151329), the Registration Statement of Seaspan Corporation filed with the SEC on March 31, 2011 on Form S-8 (Registration No. 333-173207), the Registration Statement of Seaspan Corporation filed with the SEC on June 20, 2013 on Form S-8 (Registration No. 333-189493), the Registration Statement of Seaspan Corporation filed with the SEC on April 24, 2012 on Form F-3 (Registration No. 333-180895), as amended on March 22, 2013, the Registration Statement of Seaspan Corporation filed with the SEC on April 29, 2014 on Form F-3 (Registration No. 333-195571), as amended on March 3, 2017 and April 19, 2017, the Registration Statement of Seaspan Corporation filed with the SEC on November 28, 2014 on Form F-3 (Registration No. 333-200639), as amended on March 3, 2017 and April 19, 2017, the Registration Statement of Seaspan Corporation filed with the SEC on November 28, 2014 on Form S-8 (Registration No. 333-200640), the Registration Statement of Seaspan Corporation filed with the SEC on March 12, 2015 on Form F-3D (Registration No. 333-202698), the Registration Statement of Seaspan Corporation filed with the SEC on May 23, 2016 on Form F-3 (Registration No. 333-211545), as amended on March 3, 2017, March 7, 2017 and April 19, 2017, the Registration Statement of Seaspan Corporation filed with the SEC on June 24, 2016 on Form S-8 (Registration No. 333-212230) and the Registration Statement of Seaspan Corporation filed with the SEC on April 13, 2018 on Form F-3D (Registration No. 333-224291), the Registration Statement of Seaspan Corporation filed with the SEC on May 3, 2018 on Form F-3/A (Registration No. 333-224288), as amended on May 7, 2018, the Registration Statement of Seaspan Corporation filed with the SEC on June 15, 2018 on Form F-4 (Registration No. 333-225681), the Registration Statement of Seaspan Corporation filed with the SEC on September 28, 2018 on Form F-3 (Registration No. 333-227597), the Registration Statement of Seaspan Corporation filed with the SEC on January 18, 2019 on Form F-3 (Registration No. 333-229312) and the Registration Statement of Seaspan Corporation filed with the SEC on March 27, 2019 on Form F-3 (Registration No. 333-230524).

SIGNATURES

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

SEASPAN CORPORATION

Date: May 3, 2019 By: /s/ Ryan Courson
Ryan Courson
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT I

SEASPAN CORPORATION
REPORT ON FORM 6-K FOR THE QUARTER ENDED MARCH 31, 2019

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Unless we otherwise specify, when used in this Report, the terms “Seaspan”, the “Company”, “we”, “our” and “us” refer to Seaspan Corporation and its subsidiaries. References to our “Manager” are to Seaspan Management Services Limited and its wholly-owned subsidiaries which provide us with all of our technical, administrative and strategic services.

References to customers are as follows:

Customer	Reference
Arkas Line	Arkas
CMA CGM S.A.	CMA CGM
China COSCO Holdings Company Limited	COSCO
Hapag-Lloyd AG	Hapag-Lloyd
Hyundai Merchant Marine Co., Ltd., Seoul	HMM
Korea Marine Transport Co., Ltd.	KMTC
Maersk Line A/S ⁽²⁾	Maersk
MSC Mediterranean Shipping Company S.A.	MSC
Mitsui O.S.K. Lines, Ltd. ⁽¹⁾	MOL
Ocean Network Express Pte. Ltd. ⁽¹⁾	ONE
Yang Ming Marine Transport Corp.	Yang Ming Marine

⁽¹⁾On April 1, 2018, MOL, K-Line and Nippon Yusen Kabushiki Kaisha integrated their container shipping businesses under a new joint venture company, Ocean Network Express Pte. Ltd.

⁽²⁾A subsidiary of A.P. Moller-Maersk A/S.

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

The information and the unaudited interim consolidated financial statements in this Report should be read in conjunction with the consolidated financial statements and related notes and the Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 20-F for the year ended December 31, 2018, filed with the U.S. Securities and Exchange Commission, or the SEC, on March 26, 2019, or our 2018 Annual Report. Unless otherwise indicated, all amounts in this Report are presented in U.S. dollars, or USD. We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles, or U.S. GAAP.

SEASPAN CORPORATION

PART I — FINANCIAL INFORMATION

ITEM 1 — INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SEASPAN CORPORATION

Interim Consolidated Balance Sheets

(Unaudited)

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

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 626,187	\$ 357,327
Short-term investments	105	2,532
Accounts receivable (note 17)	239,140	13,001
Prepaid expenses and other	37,662	36,519
Gross investment in lease (note 4)	44,469	44,348
Fair value of financial instruments (note 20(c))	—	113
	947,563	453,840
Vessels (note 5)	5,869,520	5,926,274
Right-of-use assets (note 6)	1,040,755	—
Gross investment in lease (note 4)	806,574	817,631
Goodwill	75,321	75,321
Other assets (note 7)	183,683	204,931
	\$ 8,923,416	\$ 7,477,997
Liabilities, puttable preferred shares and shareholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 71,124	\$ 70,211
Current portion of deferred revenue (note 8)	51,407	55,915
Current portion of long-term debt (note 9)	559,800	722,641
Current portion of operating lease liabilities (note 10)	160,010	—
Current portion of long-term obligations under other financing arrangements (note 11)	149,011	48,384
Current portion of other long-term liabilities (note 12)	8,234	32,243
	999,586	929,394
Deferred revenue (note 8)	368,502	376,884
Long-term debt (note 9)	2,801,129	2,764,900
Operating lease liabilities (note 10)	865,809	—
Long-term obligations under other financing arrangements (note 11)	478,657	591,372
Other long-term liabilities (note 12)	18,363	180,157
Fair value of financial instruments (note 20(c))	133,838	127,172
Total liabilities	5,665,884	4,969,879
Puttable preferred shares; \$0.01 par value; 1,983,585 issued and outstanding	48,517	48,139

(2018 - 1,986,449) (notes 2 and 13(b))

Shareholders' equity:

Share capital (note 13):

Preferred shares; \$0.01 par value; 150,000,000 shares authorized

(2018 - 150,000,000); 33,275,570 shares issued and outstanding (2018 – 33,272,706)

Class A common shares; \$0.01 par value; 400,000,000 shares authorized

(2018 - 400,000,000); 215,507,220 shares issued and outstanding (2018 – 176,835,837) 2,489 2,102

Treasury shares	(374)	(371)
Additional paid in capital	3,448,904	3,126,457
Deficit	(219,693)	(645,638)
Accumulated other comprehensive loss	(22,311)	(22,571)
	3,209,015	2,459,979
	\$8,923,416	\$ 7,477,997

Basis of presentation (note 1(a))

Commitments and contingencies (note 18)

Subsequent events (note 22)

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Interim Consolidated Statements of Operations

(Unaudited)

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

	Three months ended March 31,	
	2019	2018
Revenue	\$285,323	\$224,776
Operating expenses (income):		
Ship operating	57,709	49,549
Depreciation and amortization	62,497	53,925
General and administrative	8,799	7,273
Operating leases (note 10)	39,233	31,194
Income related to modification of time charters (note 17)	(227,000)	—
	(58,762)	141,941
Operating earnings	344,085	82,835
Other expenses (income):		
Interest expense and amortization of deferred financing fees	56,051	37,949
Amortization of debt discount (note 9)	4,034	1,032
Interest income	(3,150)	(1,270)
Acquisition related gain on contract settlement	—	(2,430)
Change in fair value of financial instruments (note 20(c))	1,144	(19,322)
Equity income on investment	—	(1,216)
Other expenses	691	376
	58,770	15,119
Net earnings	\$285,315	\$67,716
Earnings per share (note 14):		
Class A common share, basic	\$1.27	\$0.37
Class A common share, diluted	\$1.26	\$0.37

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Interim Consolidated Statements of Comprehensive Income

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended March 31,	
	2019	2018
Net earnings	\$285,315	\$67,716
Other comprehensive income:		
Amounts reclassified to net earnings during the period		
relating to cash flow hedging instruments (note 20(c))	260	300
Comprehensive income	\$285,575	\$68,016

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Interim Consolidated Statements of Puttable Preferred Shares and Shareholders' Equity

(Unaudited)

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

Three months ended March 31, 2019 and 2018

	Series D puttable preferred shares Shares	Amount	Number of common shares	Number of non-puttable preferred shares	Common shares	Non-puttable preferred shares	Treasury Shares	Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total shareholders' equity
Balance, December 31, 2017, carried forward	—	\$—	131,664,101	32,872,706	\$1,317	\$329	\$(377)	\$2,752,988	\$(781,137)	\$(23,688)	\$1,949,400
Earnings	—	—	—	—	—	—	—	—	67,716	—	67,716
Other comprehensive income	—	—	—	—	—	—	—	—	—	300	300
Class A common shares issued	—	—	2,514,996	—	25	—	—	13,883	—	—	13,908
Preferred shares issued	1,986,449	46,677	—	—	—	—	—	—	—	—	—
Warrants issued	—	—	—	—	—	—	—	77,562	—	—	77,562
Expenses in connection with the issuance of common and preferred shares	—	—	—	—	—	—	—	(30)	—	—	(30)
Dividends on Class A common	—	—	—	—	—	—	—	—	(16,490)	—	(16,490)

Shares (\$0.13 per share)											
Dividends on Preferred Shares (Series A - \$0.50 per share; Series E - \$0.52 per share; Series F - \$0.51 per share; Series G - \$0.51 per share; Series H - \$0.49 per share)	—	—	—	—	—	—	—	—	(16,566)	—	(16,566)
Retention of Preferred Shares with Holder put option	—	143	—	—	—	—	—	—	(143)	—	(143)
Shares issued through dividend investment program	—	—	1,002,772	—	10	—	—	7,154	—	—	7,164
Share-based compensation expense:											
Restricted Class A Common Shares, phantom shares, stock appreciation rights issued and restricted stock units	—	—	137,522	—	1	—	—	572	—	—	573

er												
re-based												
compensation	—	—	680,458	—	7	—	—	620	(139)	—	488
treasury shares	—	—	(506)	—	—	6	—	—	—	—	6
Balance, March												
2018	1,986,449	\$46,820	135,999,343	32,872,706	\$1,360	\$329	\$(371)	\$2,852,749	\$(746,759)	\$(23,388)	\$2,083,9	

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Interim Consolidated Statements of Puttable Preferred Shares and Shareholders' Equity (Continued)

(Unaudited)

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

Three months ended March 31, 2019 and 2018

	Series D puttable preferred shares		Number of common shares	Number of non-puttable preferred shares	Common shares	Non-puttable preferred shares	Treasury shares	Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total shareholders' equity
	Shares	Amount	shares	shares	shares	shares	shares	capital	Deficit	loss	equity
Balance, December 31, 2018,											
Carried forward	1,986,449	\$48,139	176,835,837	33,272,706	\$1,769	\$333	\$(371)	\$3,126,457	\$(645,638)	\$(22,571)	\$2,459,9
Effect of accounting policy change											
Note 1(b)	—	—	—	—	—	—	—	—	181,053	—	181,053
Adjusted balance, December 31, 2018	1,986,449	\$48,139	176,835,837	33,272,706	\$1,769	\$333	\$(371)	\$3,126,457	\$(464,585)	\$(22,571)	\$2,641,0
Earnings	—	—	—	—	—	—	—	—	285,315	—	285,315
Other comprehensive income	—	—	—	—	—	—	—	—	—	260	260
Warrants exercised (note 2)	—	—	—	—	—	—	—	71,560	—	—	71,560
Exercise of warrants (note 2)	—	—	38,461,539	—	385	—	—	249,615	—	—	250,000
Stock options and expenses in connection with issuance of common shares in 2019											
Warrants	—	—	—	—	—	—	—	(245)	—	—	(245)
	—	—	—	—	—	—	—	—	(22,122)	—	(22,122)

Dividends on Class A Common Shares (\$0.13 per share)												
Dividends on Preferred Shares (Series A - \$0.50 per share; Series B - \$0.52 per share; Series C - \$0.51; Series D - \$0.49 per share; Series E - \$0.50 per share)	—	—	—	—	—	—	—	—	(17,719)	—	(17,719)	
Expiration of warrants on Preferred Shares with tender put option	—	449	—	—	—	—	—	—	(449)	—	(449)	
Expiration of warrants on puttable Preferred Shares												
Expiration of accelerated redemption due to Note 13(b)	(2,864)	(72)	—	2,864	—	—	—	72	—	—	72	
Expiration of warrants on puttable Preferred Shares												
Expiration of accelerated redemption due to Note 13(b)	—	1	—	—	—	—	—	—	(1)	—	(1)	

Shares issued through dividend												
Investment program	—	—	33,799	—	—	—	—	303	—	—	—	303
Share-based compensation expense												
(Note 15):												
Restricted Class A Common Shares, phantom share												
Units, restricted stock and												
Stock options	—	—	176,828	—	2	—	—	1,142	(132)	—	—	1,012
Treasury shares	—	—	(783)	—	—	—	(3)	—	—	—	—	(3)
Balance,												
March 31, 2019	1,983,585	\$48,517	215,507,220	33,275,570	\$2,156	\$333	\$(374)	\$3,448,904	\$(219,693)	\$(22,311)		\$3,209,0

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Interim Consolidated Statements of Cash Flows

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended March 31,	
	2019	2018
Cash from (used in):		
Operating activities:		
Net earnings	\$285,315	\$67,716
Items not involving cash:		
Depreciation and amortization	62,497	53,925
Amortization of right-of-use asset (note 6)	27,517	—
Share-based compensation (note 15)	1,144	627
Amortization of deferred financing fees, debt discount and fair value of long term debt	7,116	4,079
Amounts reclassified from other comprehensive loss		
to interest expense (note 20(c))	75	88
Unrealized change in fair value of financial instruments	(6,511)	(30,599)
Acquisition related gain on contract settlement	—	(2,430)
Equity income on investment	—	(1,216)
Deferred gain on sale-leasebacks (note 12)	—	(6,111)
Amortization of acquired revenue contracts	2,047	1,109
Other	(348)	(333)
Changes in assets and liabilities:		
Accounts receivable	(226,139)	4,005
Lease receivable	10,936	10,862
Prepaid expenses and other	(1,358)	973
Deferred dry-dock	(32)	(7,708)
Accounts payable and accrued liabilities	856	(2,299)
Deferred revenue	(12,890)	(23,128)
Operating lease liabilities	(27,628)	—
Cash from operating activities	122,597	69,560
Financing activities:		
Repayment of credit facilities	(288,352)	(63,579)
Draws on credit facilities	—	100,000
Fairfax notes and warrants issued	250,000	250,000

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Draw on long-term obligations under other financing arrangements	—	42,700
Repayment of long-term obligations under other financing arrangements	(12,551)	(6,779)
Senior unsecured notes repurchased, including related expenses	(8,998)	—
Proceeds from exercise of warrants	250,000	—
Financing fees	(1,065)	(5,132)
Dividends on common shares	(21,819)	(9,326)
Dividends on preferred shares	(17,719)	(16,566)
Cash from financing activities	149,496	291,318
Investing activities:		
Expenditures for vessels	(1,541)	(19,906)
Short-term investments	2,426	104
Other assets	(4,115)	2,791
Loans to affiliate	—	(427)
Acquisition of GCI (note 2)	—	(333,581)
Cash acquired from GCI acquisition (note 2)	—	70,121
Cash used in investing activities	(3,230)	(280,898)
Increase in cash and cash equivalents	268,863	79,980
Cash and cash equivalents and restricted cash, beginning of period	371,396	267,236
Cash and cash equivalents and restricted cash, end of period	\$640,259	\$347,216

Supplemental cash flow information (note 1(b) and 16)

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(Unaudited)

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

1. Significant accounting policies:

(a) Basis of presentation:

Except for the changes described in note 1(b), the accompanying interim financial information of Seaspan Corporation (the “Company”) has been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), on a basis consistent with those followed in the December 31, 2018 audited annual consolidated financial statements. The accompanying interim financial information is unaudited and reflects all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of results for the interim periods presented. The unaudited interim consolidated financial statements do not include all the disclosures required under U.S. GAAP for annual financial statements and should be read in conjunction with the December 31, 2018 annual consolidated financial statements filed with the U.S. Securities and Exchange Commission in the Company’s 2018 Annual Report on Form 20-F.

(b) Recently adopted accounting pronouncements:

Effective January 1, 2019, the Company adopted Accounting Standards Update (“ASU”) 2016-02, “Leases”, using the modified retrospective method, whereby a cumulative effect adjustment was made as of the date of initial application. The Company elected the practical expedient to use the effective date of adoption as the date of initial application. Accordingly, financial information and disclosures in the comparative period were not restated. The Company also elected to apply the package of practical expedients such that for any expired or existing leases, it did not reassess lease classification, initial direct costs or whether the relevant contracts are or contain leases. The Company did not use hindsight to reassess lease term or for the determination of impairment of right-of-use assets.

SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(Unaudited)

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

1. Significant accounting policies (continued):

(b) Recently adopted accounting pronouncements (continued):

The impacts of the adoption of ASU 2016-02 are as follows:

	As reported at		Adjusted at
	December	Adjustments	January 1,
	31, 2018		2019
Right-of-use assets ⁽¹⁾ ⁽²⁾	\$—	\$ 1,068,272	\$ 1,068,272
Other assets ⁽²⁾	204,931	(17,286)	187,645
Accounts payable and accrued liabilities ⁽¹⁾	70,211	(2,460)	67,751
Current portion of operating lease liabilities ⁽¹⁾	—	160,174	160,174
Current portion of other long-term			
liabilities ⁽³⁾	32,243	(22,183)	10,060
Operating lease liabilities ⁽¹⁾	—	893,272	893,272
Other long-term liabilities ⁽³⁾	180,157	(158,870)	21,287
Deficit ⁽³⁾	(645,638)	181,053	(464,585)

⁽¹⁾ Upon adoption of ASU 2016-02, the Company recorded non-cash right-of-use assets and operating lease liabilities on the balance sheet for its vessel sale-leaseback transactions and office leases under operating lease arrangements. Prior to January 1, 2019, operating leases were not included on the balance sheet and were recorded as operating lease expenses when incurred. The amount recognized as operating lease liabilities was based on the present value of future minimum lease payments, discounted using the lessor's rate implicit in the lease or the Company's incremental borrowing rate if the lessor's implicit rate is not readily determinable and includes any existing accrued payments related to lease liabilities. Minimum lease payments referenced to an indexed rate were determined based on the respective rates at the adoption date.

⁽²⁾ Initial direct costs related to the Company's vessel sale-leaseback transactions under operating lease arrangements were reclassified from other assets to right-of-use assets.

⁽³⁾ Deferred gain related to the Company's vessel sale-leaseback transactions was recognized through deficit on the initial date of application.

The accounting for lessors is largely unchanged under ASU 2016-12. The Company evaluated its lessor arrangements and determined that the amounts recognized and the pattern of recognition remain substantially the same as existing guidance which was previously used by the Company.

(c) Recent accounting pronouncements:

Measurement of credit loss

In June 2016, FASB issued ASU 2016-13, “Measurement of Credit Loss on financial Instruments”. ASU 2016-13 replaces the current incurred loss impairment methodology with the expected credit loss impairment model (“CECL”), which requires consideration of a broader range of reasonable and supportable information to estimate expected credit losses over the life of the instrument instead of only when losses are incurred. This standard applies to financial assets measured at amortized cost basis and investments in leases recognized by the lessor. The revised guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted for fiscal years, and interim period within those years, beginning after December 15, 2018. The Company is evaluating this accounting update to determine the impact it will have on its consolidated financial statements.

SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(Unaudited)

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

1. Significant accounting policies (continued):

(c) Recent accounting pronouncements (continued):

Fair value measurement

In August 2015, FASB issued ASU 2018-13, “Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement”. ASU 2018-13 revises fair value disclosures, including requiring additional information on changes in unrealized gains and losses and significant unobservable inputs as it relates to Level 3 fair value measurements. The revised guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted upon issuance of this update. The Company is evaluating this accounting update to determine the impact it will have on its consolidated financial statements.

(d) Leases:

Leases are classified as operating leases or financing leases based on the lease term and fair value associated with the lease. The assessment is done at lease commencement and reassessed only when a modification occurs that is not considered a separate contract.

Lessor arrangements

The Company derives its revenue primarily from the charter of its vessels. Each charter agreement is evaluated and classified as an operating or financing lease. Time charters classified as operating leases include a lease component associated with the use of the vessel and a non-lease component related to vessel management. Total consideration in the lease agreement is allocated between the lease and non-lease components based on their relative standalone selling prices. For arrangements where the timing and pattern of transfer to the lessee is consistent between the lease and non-lease components and the lease component, if accounted for separately, would be classified as an operating lease, the Company has elected to treat the lease and non-lease components as a single lease component. Revenue is recognized each day the vessels are on-hire, managed and performance obligations are satisfied.

For financing leases that are classified as direct financing leases, the difference between the gross investment in the lease and the present value of the minimum lease payments and any unguaranteed residual value, if applicable, is recorded as unearned lease interest income. The discount rate used in determining the present values is the interest rate implicit in the lease. The lower of the fair value of the vessel based on information available at lease commencement date and the present value of the minimum lease payments computed using the interest rate implicit in the lease, represents the price, from which the carrying value of the vessel is deducted in order to determine the selling profit or loss. The unearned lease interest income including any selling profit and initial direct costs are deferred and amortized to income over the period of the lease so as to produce a constant periodic rate of return on the net investment in lease. Any selling loss related to direct financing leases are recognized at lease commencement date.

For financing leases that are classified as sales-type leases, any selling profit or loss are recognized at lease commencement date. Initial direct costs are expensed at lease commencement date if the fair value of the vessel is different from its carrying amount.

Lessee arrangements

Where the Company is the lessee, leases classified as operating leases are recorded as lease liabilities based on the present value of minimum lease payments over the lease term, discounted using the lessor's rate implicit in the lease or the Company's incremental borrowing rate, if the lessor's implicit rate is not readily determinable. The lease term includes all periods covered by renewal and termination options where the Company is reasonably certain to exercise the renewal options or not to exercise the termination options. Corresponding right-of-use assets are recognized consisting of the lease liabilities, initial direct costs and any lease incentive payments.

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1. Significant accounting policies (continued):

(d) Leases (continued):

Lease liabilities are drawn down as lease payments are made and right-of-use assets are depreciated over the term of the lease. Operating lease expenses are recognized on a straight-line basis over the term of the lease, consisting of interest accrued on the lease liability and depreciation of the right-of-use asset, adjusted for changes in index-based variable lease payments in the period of change.

Lease payments on short-term operating leases with lease terms twelve months or less are expensed as incurred. Transactions are determined to be sale-leaseback transactions when control of the vessel is transferred. For sale-leaseback transactions, where the Company is the seller-lessee, any gains or losses on sale is recognized upon transfer.

(e) Comparative information:

Certain prior period's information have been reclassified to conform with current financial statement preparation.

2. Acquisition of Greater China Intermodal Investments LLC:

On March 13, 2018, the Company acquired the remaining 89.2% that it did not own of Greater China Intermodal Investments LLC ("GCI") from affiliates of The Carlyle Group and the minority owners of GCI ("Carlyle Group"). GCI's fleet of 18 containerships, including two newbuilds, was comprised of 10000 TEU and 14000 TEU eco-class vessels.

The aggregate purchase price was \$498,050,000, comprised of:

Cash	\$331,904
1,986,449 of the Company's Series D preferred shares	47,158
2,514,996 of the Company's Class A common shares	13,908
Settlement of intercompany balances	41,279
Carrying value of previously held equity interest	61,891
Acquisition related transaction fees	1,910
Aggregate purchase price	\$498,050

Under the Agreement and Plan of Merger (the "Merger Agreement"), \$10,000,000 was deposited in escrow for settlement of potential indemnifiable damages. In March 2019, the deposit was released from escrow.

The value of the Company's Series D preferred shares and Class A common shares was determined based on the closing market price of those shares on March 13, 2018, the date the acquisition closed. The initial holders of the 1,986,449 Series D preferred shares have a right commencing on September 13, 2019 and ending on October 13, 2019 to cause the Company to repurchase any of these shares they hold at that time for a price of \$24.84 per share. Therefore, these Series D preferred shares are recorded as temporary equity.

The Company accounted for the transaction as an asset acquisition as substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable group of similar identifiable assets.

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2. Acquisition of Greater China Intermodal Investments LLC (continued):

Accordingly, the consideration has been allocated on a relative fair value basis to the assets acquired and liabilities assumed.

The following table summarizes the fair value of the identifiable assets acquired and liabilities assumed:

Cash and cash equivalents	\$70,121
Current assets	5,316
Vessels	1,369,628
Vessels under construction	28,924
Other assets	107,407
Total assets acquired	1,581,396
Debt assumed	1,038,081
Current liabilities	31,115
Other long-term liabilities	14,150
Net assets acquired	\$498,050

As a part of the acquisition, the Company purchased certain identifiable contracts (time charters) which had an estimated useful life of 5.3 years as at the date of acquisition and is recorded in Other Assets and Other Long-Term Liabilities.

3. Related party transactions:

(a) Prior to March 13, 2018, the Company had a 10.8% equity interest in GCI. The Company purchased the remaining 89.2% interest in GCI on March 13, 2018 (see note 2) and consolidated GCI from the date of acquisition.

(b) The Company incurred the following income or expenses with related parties:

	Three months ended March 31,	
	2019	2018
Expenses incurred:		
Interest expense ⁽¹⁾	\$ 6,302	\$ 1,757
Income earned:		

Interest income	—	427
Management fees	—	914

⁽¹⁾Excludes amortization of debt discount (note 9).

The income or expenses with related parties relate to amounts paid to or received from individuals or entities that are associated with the Company or the Company's directors or officers and these transactions are governed by pre-arranged contracts.

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3. Related party transactions (continued):

Pursuant to the earlier agreements, on January 15, 2019, Fairfax issued a second tranche of \$250,000,000 in debentures (“2026 Notes”) and warrants to purchase 38,461,539 of the Company’s Class A common shares at an exercise price of \$6.50 per share (“2019 Warrants”). The 2019 Warrants were immediately exercised at an exercise price of \$6.50 per share for aggregate proceeds of \$250,000,000.

As at March 31, 2019, Fairfax Financial Holdings Ltd. and its affiliates (“Fairfax”) is a related party, as it holds approximately 36% of our outstanding common shares and has designated two members to our board of directors. Interest expense relates to notes issued to Fairfax (“Fairfax Notes”).

Interest income was earned on loans to affiliate, prior to March 13, 2018. Management fees were earned from GCI for the management of GCI’s vessels, prior to March 13, 2018, and are included in revenue.

4. Gross investment in lease:

	March 31, 2019	December 31, 2018
Gross investment in lease	\$ 851,043	\$ 861,979
Current portion	(44,469)	(44,348)
Gross investment in lease	\$ 806,574	\$ 817,631

At March 31, 2019, the minimum lease receivable from direct financing leases are approximated as follows:

Remainder of 2019	\$ 33,413
2020	44,469
2021	44,348
2022	44,348

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2023	44,348
Thereafter	640,117
	\$851,043

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5. Vessels:

March 31, 2019	Cost	Accumulated depreciation	Net book value
Vessels	\$8,005,430	\$ 2,135,910	\$5,869,520

December 31, 2018	Cost	Accumulated depreciation	Net book value
Vessels	\$8,004,011	\$ 2,077,737	\$5,926,274

During the three months ended March 31, 2019, the Company capitalized interest costs of nil (March 31, 2018 - \$512,000) to vessels under construction.

6. Right-of-use assets:

March 31, 2019	Cost	Accumulated amortization	Net book value
Vessel operating leases	\$1,060,792	\$ (27,159)	\$1,033,633
Office operating leases	7,480	(358)	7,122
Right-of-use assets	1,068,272	(27,517)	1,040,755

During the three months ended March 31, 2019, the Company amortized \$27,517,000 related to right-of-use assets.

7. Other assets:

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	March 31, 2019	December 31, 2018
Intangible assets ^(a)	\$ 107,382	\$ 111,968
Deferred dry-dock ^(b)	33,584	36,660
Deferred financing fees ^(c)	—	17,286
Restricted cash	14,072	14,069
Capital assets	684	600
Other	27,961	24,348
Other assets	\$ 183,683	\$ 204,931

(a) Intangible assets:

Intangible assets are primarily comprised of the acquisition date fair value of time charter contracts acquired. During the three months ended March 31, 2019, the Company recorded \$4,234,000 (March 31, 2018 – \$633,371) of amortization related to acquired time charter contracts.

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7. Other assets (continued):

(a) Intangible assets (continued):

Future amortization related to acquired time charter contracts is approximated as follows:

Remainder of 2019	\$ 14,872
2020	19,223
2021	17,658
2022	16,090
2023	12,390
Thereafter	25,233
	\$ 105,466

(b) Deferred dry-dock:

During the three months ended March 31, 2019, changes in deferred dry-dock were as follows:

	Dry-docking
December 31, 2018	\$ 36,660
Cost incurred	1,012
Amortization expensed	(4,088)
March 31, 2019	\$ 33,584

(c) Deferred financing fees:

Initial direct costs related to the Company's vessel sale-leaseback transactions under operating lease arrangements were reclassified from other assets to right-of-use assets, upon adoption of ASU 2016-02 (note 1(b)).

8. Deferred revenue:

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	March 31, 2019	December 31, 2018
Deferred revenue on time charters	\$ 18,142	\$ 22,318
Deferred interest on lease receivable	401,767	410,481
Deferred revenue	419,909	432,799
Current portion of deferred revenue	(51,407)	(55,915)
Deferred revenue	\$ 368,502	\$ 376,884

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9. Long-term debt:

	March 31, 2019	December 31, 2018
Long-term debt:		
Revolving credit facilities ^{(a) (c)}	\$582,243	\$ 788,198
Term loan credit facilities ^{(b) (c)}	2,076,346	2,158,743
Senior unsecured notes ^(d)	391,398	400,396
Fairfax Notes ^(e)	500,000	250,000
	3,549,987	3,597,337
Fair value adjustment on term loan credit facilities ^(b)	(2,201)	(2,339)
Debt discount on Fairfax Notes ^(e)	(164,207)	(83,392)
Deferred financing fees	(22,650)	(24,065)
Long-term debt	3,360,929	3,487,541
Current portion of long-term debt	(559,800)	(722,641)
Long-term debt	\$2,801,129	\$ 2,764,900

(a) Revolving credit facilities

In January 2019, the Company made a prepayment of \$147,000,000 on the remaining outstanding balance of a secured reducing revolving credit facility. At March 31, 2019, as a result of the repayment, eight vessels were unencumbered.

In March 2019, the Company made a prepayment of \$58,954,000 on the outstanding balance of one of its other secured reducing revolving credit facilities, releasing two vessels from security.

At March 31, 2019, the one month average LIBOR was 2.5% (December 31, 2018 – 2.4%) and the margins ranged between 0.5% and 1.4% (December 31, 2018 – 0.5% and 1.4%) for revolving credit facilities. The weighted average rate of interest, including the margin, for the Company's revolving credit facilities was 3.0% at March 31, 2019 (December 31, 2018 – 3.0%). Interest payments are made monthly.

The following is a schedule of future minimum repayments of revolving facilities as of March 31, 2019:

Remainder of 2019	\$45,231
2020	47,892

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2021	50,711
2022	380,169
2023	58,240
	\$582,243

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9. Long-term debt (continued):

(b) Term loan credit facilities

During the three months ended March 31, 2019, the Company made prepayments of \$28,100,000 on the principal balance of two secured term loan credit facilities. At March 31, 2019, as a result of these repayments, three vessels were unencumbered.

At March 31, 2019, the one month, three month and six month average LIBOR was 2.5%, 2.6% and 2.8%, respectively (December 31, 2018 – 2.4%, 2.6% and 2.5%, respectively) and the margins ranged between 0.4% and 4.8% (December 31, 2018 – 0.4% and 4.8%) for term loan credit facilities.

The following is a schedule of future minimum repayments of term loan credit facilities as of March 31, 2019:

Remainder of 2019	\$ 149,696
2020	261,004
2021	393,958
2022	277,719
2023	517,640
Thereafter	476,329
	\$2,076,346

For certain of our term loan credit facilities with a total principal outstanding of \$62,322,000 (December 31, 2018 - \$65,515,000), interest is calculated based on the Export-Import Bank of Korea (KEXIM) rate plus 0.7% per annum.

The weighted average rate of interest, including the applicable margin, was 4.9% at March 31, 2019 (December 31, 2018 – 4.8%) for term loan credit facilities. Interest payments are made in monthly, quarterly or semi-annual payments.

(c) Credit facilities – other

As of March 31, 2019, the Company's credit facilities, were secured by first-priority mortgages granted on 51 of its vessels together with other related security. The security for each of the Company's current secured credit facilities includes:

- A first priority mortgage on the collateral vessels funded by the related credit facility;
- An assignment of the Company's time charters and earnings related to the related collateral vessels;
- An assignment of the insurance on each of the vessels that are subject to a related mortgage;
- An assignment of the Company's related shipbuilding contracts and the corresponding refund guarantees;
- A pledge over shares of various subsidiaries; and
- A pledge over the related retention accounts.

The Company may prepay certain amounts outstanding without penalty, other than breakage costs in certain circumstances. In certain circumstances a prepayment may be required as a result of certain events, including the sale or loss of a vessel, a termination or expiration of a charter (and the

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9. Long-term debt (continued):

(c) Credit facilities – other (continued)

inability to enter into a charter suitable to lenders within a period of time). The amount that must be prepaid may be calculated based on the loan to market value. In these circumstances, valuations of our vessels are conducted on a “without charter” basis as required under the credit facility agreement.

Each credit facility, other than credit facilities of GCI’s subsidiaries, contains financial covenants requiring the Company to maintain minimum liquidity, tangible net worth, interest coverage ratios, interest and principal coverage ratios, and debt-to-assets ratios, as defined. For GCI, each borrower under each facility is a special purpose entity and subsidiary of GCI. Each facility is guaranteed by GCI and as the guarantor, GCI must meet certain consolidated financial covenants under these term loan facilities including maintaining certain minimum tangible net worth, cash requirements and debt to asset ratios. Some of the facilities also have an interest and principal coverage ratio requirement for the subsidiary borrower. The Company was in compliance with these covenants at March 31, 2019.

(d) Senior unsecured notes

In December 2018, the Company entered into a repurchase plan for its senior unsecured notes which mature in April 2019. During the three months ended March 31, 2019, the Company repurchased \$8,998,000 senior unsecured notes. In March 2019, the repurchase plan was terminated.

(e) Fairfax Notes

On January 15, 2019, pursuant to a previous subscription agreement, the Company issued to Fairfax the 2026 Notes bearing interest at 5.5% for an aggregate principal of \$250,000,000 and the 2019 Warrants. The proceeds from the transaction were allocated to each security on a relative fair value basis. The 2019 Warrants were immediately exercised for additional proceeds of \$250,000,000.

The 2026 Notes and similar notes issued in 2018 (the “2025 Notes”) allow Fairfax to call for early redemption of some or all of the Fairfax Notes on each respective anniversary date of issuance (the “Annual Put Right”) by providing written notice between 150 days and 120 days prior to each applicable anniversary date. In February 2019, Fairfax waived its right to call for early redemption of the 2025 Notes and 2026 Notes on their respective 2020 anniversary dates. Therefore, the Fairfax Notes are not puttable until their respective anniversary dates in 2021.

The Fairfax Notes are secured by ownership interest in GCI. The indenture relating to the 2025 Notes provides that, subject to certain limitations, the Fairfax investors have the right to designate a maximum of two members to our board of directors.

10. Operating lease liabilities:

	March 31, 2019
Operating lease commitments	\$1,242,254
Impact of discounting	(222,626)
Impact of changes in variable rates	6,191
Operating lease liabilities	\$1,025,819
Current portion of operating lease liabilities	(160,010)
Operating lease liabilities	\$865,809

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10. Operating lease liabilities (continued):

Operating lease liabilities relate to vessel sale-leaseback transactions and office operating leases. Vessel sale-leaseback transactions under operating lease arrangements are in part, indexed to 3-months LIBOR, reset on a quarterly basis. For one of the Company's vessel operating leases, an option to repurchase the vessel exists at the end of its lease term. For all other arrangements, the lease may be terminated prior to the end of the lease term, at the option of the Company, by repurchasing the respective vessels on a specified repurchase date at a pre-determined fair value amount. For one of these arrangements, if the Company elects not to repurchase the vessel, the lessor may choose not to continue the lease until the end of its term.

Upon implementation of ASU 2016-02 on January 1, 2019, the lease terms were not reassessed. The Company continues to include the full term of the lease, including periods covered by the purchase options, in the measurement of lease liability as determined under ASC 840 Leases, for all vessel sale-leaseback transactions under operating lease arrangements existing at date of implementation.

Each sale-leaseback transaction contains financial covenants requiring the Company to maintain tangible net worth, interest coverage ratios and debt-to-assets ratios, as defined.

As at March 31, 2019, for the Company's operating leases, the weighted average remaining lease term is 8 years and the weighted average discount rate is 4.8%.

11. Long-term obligations under other financing arrangements:

	March 31, 2019	December 31, 2018
Long-term obligations under other financing arrangements	\$635,113	\$647,664
Deferred financing fees	(7,445)	(7,908)
Long-term obligations under other financing arrangements	627,668	639,756
Current portion of long-term obligations under other financing arrangements	(149,011)	(48,384)
Long-term obligations under other financing arrangements	\$478,657	\$591,372

Based on amounts funded, payments due to lessors for all ten vessels would be as follows:

Remainder of 2019	\$35,982
2020	144,439
2021	42,459
2022	43,801
2023	87,143
Thereafter	281,289
	\$635,113

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12. Other long-term liabilities:

	March 31, 2019	December 31, 2018
Deferred gain on sale-leasebacks ⁽¹⁾	\$ —	\$ 181,053
Other	26,597	31,347
Other long-term liabilities	26,597	212,400
Current portion of other long-term liabilities	(8,234)	(32,243)
Other long-term liabilities	\$ 18,363	\$ 180,157

(1) The Company recorded an adjustment to recognize deferred gain related to sale-leaseback transactions under operating lease arrangements through deficit upon adoption of ASU 2016-02 (note 1(b)).

13. Puttable preferred shares and share capital:

(a) Non-puttable preferred shares:

At March 31, 2019, the Company had the following preferred shares outstanding:

Series	Shares		Dividend rate per annum	Redemption by Company permitted on or after	Liquidation preference	
	Authorized	Issued			March 31, 2019	December 31, 2018
A	315,000				\$	\$
B	260,000		-			
C	40,000,000					
D	20,000,000	7,017,313 ⁽¹⁾	7.95	% January 30, 2018 ⁽²⁾	175,433	175,433
E	15,000,000	5,415,937	8.25	% February 13, 2019 ⁽²⁾	135,398	135,398
F	20,000,000					—
G	15,000,000	7,800,800	8.20	% June 16, 2021 ⁽²⁾	195,020	195,020
H	15,000,000	9,025,105	7.875	% August 11, 2021 ⁽²⁾	225,628	225,628
I	6,000,000	6,000,000	8.00	% October 30, 2023 ⁽²⁾	150,000	150,000

R 1,000,000

- ⁽¹⁾Includes puttable preferred shares issued as a part of the acquisition of GCI on March 13, 2018 (note 2) with a liquidation preference of \$49,590,000 (December 31, 2018 - \$49,661,000). These preferred shares are redeemable at the option of the holder for a period, beginning 18 months and ending 19 months after issuance.
- ⁽²⁾Redeemable by the Company, in whole or in part, at a redemption price of \$25.00 per share plus unpaid dividends. The preferred shares are not convertible into common shares and are not redeemable by the holder.

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13. Puttable preferred shares and share capital (continued):

(b) Puttable preferred shares:

During the three months ended March 31, 2019, \$72,000 of the put option from 2,864 puttable preferred shares was cancelled. As at March 31, 2019, the accreted value of the puttable Series D preferred shares was \$48,517,000 (December 31, 2018 - \$48,139,000).

(c) Warrants:

On January 15, 2019, the Company issued the 2019 Warrants to purchase 38,461,539 Class A common shares at \$6.50 per share. Pursuant to an earlier agreement, these warrants were immediately exercised for aggregate proceeds of \$250,000,000.

14. Earnings per share ("EPS"):

	Three months ended March 31, 2019			Three months ended March 31, 2018		
	Earnings	Shares	Per share	Earnings	Shares	Per share
	(numerator)	(denominator)	amount	(numerator)	(denominator)	amount
Net earnings	\$285,315			\$67,716		
Less preferred share dividends:						
Series D	(3,934)			(2,831)		
Series E	(2,793)			(2,793)		
Series F	—			(3,675)		
Series G	(3,998)			(3,998)		
Series H	(4,442)			(4,442)		
Series I	(3,000)			—		
Basic EPS:						
Earnings attributable to						
common shareholders	\$267,148	209,560,000	\$ 1.27	\$49,977	133,998,035	\$ 0.37
Effect of dilutive securities:						

Share-based

compensation	—	111,000	—	126,000
Fairfax warrants	—	1,733,000	—	—
Diluted EPS ⁽¹⁾ :				
Earnings attributable to				
common shareholders	\$267,148	211,404,000	\$ 1.26	\$49,977 134,124,035 \$ 0.37

⁽¹⁾The conversion of convertible Series F preferred shares and impact of certain share-based compensation were not included in the computation of diluted EPS for the three months ended March 31, 2018. The Series F preferred shares were redeemed in July 2018.

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15. Share-based compensation:

A summary of the Company's outstanding restricted shares, phantom share units, restricted stock units and stock options as of and for the three months ended March 31, 2019 is presented below:

	Restricted shares		Phantom share units		Restricted stock units		Stock options	
	Number of shares	W.A. grant date FV	Number of units	W.A. grant date FV	Number of units	W.A. grant date FV	Number of units	W.A. grant date FV
December 31, 2018	585,742	\$7.76	567,002	\$12.97	84,771	\$8.33	500,000	\$2.45
Granted	67,400	8.15	—	—	209,732	8.80	—	—
Vested	(185,742)	7.58	—	—	(68,516)	8.79	—	—
Exchanged	—	—	(40,000)	18.59	—	—	—	—
Cancelled	—	—	—	—	(19,786)	8.94	—	—
Expired	—	—	—	—	—	—	—	—
March 31, 2019	467,400	\$7.88	527,002	\$12.54	206,201	\$8.59	500,000	\$2.45

During the three months ended March 31, 2019, the Company amortized \$1,144,000 (March 31, 2018 - \$627,000) in share-based compensation expense related to the above share-based compensation awards.

At March 31, 2019, there was (i) \$5,678,000 (December 31, 2018 - \$1,474,000) of total unamortized compensation costs relating to unvested share-based compensation awards, which are expected to be recognized over a weighted-average period of 24 months and (ii) 1,308,836 (December 31, 2018 - 2,187,420) shares remaining for issuance under the Company's Stock Incentive Plan, as amended.

(a) Restricted shares and phantom share units:

Class A common shares are issued on a one-for-one basis in exchange for the cancellation of vested restricted shares and phantom share units. The restricted shares generally vest over one year and the phantom share units generally vest over three years. During the three months ended March 31, 2019, the fair value of restricted shares vested was \$1,408,000 (March 31, 2018 - \$841,000).

As vested outstanding phantom share units are only exchanged for common shares upon written notice from the holder, the phantom share units that are exchanged for common shares may include units that vested in prior periods.

At March 31, 2019, 517,002 (December 31, 2018 – 537,002) of the outstanding phantom share units were vested and available for exchange by the holder.

In March 2019, the Company cancelled 100,000 restricted shares previously issued to the former Chief Executive Officer (“former CEO”) of the Company.

At March 31, 2019, 500,000 restricted shares were held by the Chief Executive Officer (“CEO”) of the Company. These restricted shares vest over five years, up to a maximum amount each year. During the three months ended March 31, 2019, 100,000 of these restricted shares vested.

(b) Stock options:

In January 2018, the Company granted to CEO of the Company, stock options to purchase 500,000 Class A common shares at an exercise price of \$7.20 per share. The stock options vest equally on each of the first five anniversaries of the CEO’s start date in January 2018 and expire on January 8, 2028. As at March 31, 2019, 100,000 of these stock options are vested and exercisable.

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16. Supplemental cash flow information:

	Three months ended	
	March 31,	
	2019	2018
Interest paid	\$ 53,176	\$ 37,992
Interest received	2,687	843
Undrawn credit facility fee paid	184	210
Non-cash transactions:		
Dividend reinvestment	303	7,164
Arrangement and transaction fees		
settled in shares	—	568
Issuance of Class A common shares		
on acquisition (note 2)	—	13,908
Issuance of Series D preferred		
shares on acquisition (note 2)	—	47,158
Settlement of loans to affiliate,		
accrued interest and other		
intercompany balances on		
acquisition (note 2)	—	38,849
Settlement of GCI transaction fees		
paid by the Company (note 2)	—	15,224
Carrying value of previously held	—	61,891

equity in GCI settled on
 acquisition (note 2)

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the amounts shown in the consolidated statements of cash flows:

	March 31,	
	2019	2018
Cash and cash equivalents	\$626,187	\$333,156
Restricted cash included in other assets	14,072	14,060
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	\$640,259	\$347,216

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17. Leases:

Revenue consists of \$276,609,000 related to time charter revenue from operating leases and \$8,714,000 related to interest income from direct financing leases.

At March 31, 2019, the minimum future revenues to be received on committed time charters and to be earned related to interest income from direct financing leases are as follows:

	Time charter revenue to be received from operating leases	Interest income to be earned from direct financing leases	Total committed revenue
Remainder of 2019	\$805,298	\$25,864	\$831,162
2020	939,484	33,788	973,272
2021	810,939	32,941	843,880
2022	619,568	32,027	651,595
2023	424,979	31,040	456,019
Thereafter	505,368	246,106	751,474
	\$4,105,636	\$401,766	\$4,507,402

At December 31, 2018, the minimum future revenues to be received on committed time charter party agreements and to be earned related to interest income from direct financing leases are as follows:

2019	\$1,094,608
2020	977,926
2021	844,261
2022	688,537
2023	469,754
Thereafter	751,473

\$4,826,559

Minimum future revenues to be received on committed time charters assume 100% utilization and no renewals or extensions.

In March 2019, the Company entered into an agreement with a customer to modify seven of its time charters such that the existing time charters continued until March 31, 2019, subsequent to which the vessels were re-chartered to other customers. Pursuant to this agreement, on April 1, 2019, the Company received a settlement payment of \$227,000,000 (note 22(a)).

The Company is exposed to residual value risk associated with its leased assets under time charter agreements. Its risk management strategy seeks to reduce potential adverse effects on its performance resulting from decreases in the value of its assets after the end of each charter term. As part of its strategy, some of the Company's time charter agreements include terms that permit the vessels to be sold prior to the end of lease terms, subject to certain approvals. In addition, management implements processes and policies to minimize off-hire periods of its vessels after each lease term.

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

18. Commitments and contingencies:

At March 31, 2019, the commitment under operating leases for vessels is \$1,233,409,000 for the remainder of 2019 to 2029 and for office leases is \$8,845,000 for the remainder of 2019 to 2024. Total commitments under these leases are as follows:

Remainder of 2019	\$ 119,443
2020	158,111
2021	157,330
2022	150,874
2023	150,219
Thereafter	506,277
	\$ 1,242,254

At December 31, 2018, the commitment under operating leases for vessels is \$1,279,074,000 for the remainder of 2019 to 2029 and for office space is \$8,401,000 for the remainder of 2019 to 2024. Total commitments under these leases are as follows:

2019	\$ 159,976
2020	159,171
2021	158,326
2022	151,696
2023	150,760
Thereafter	507,546
	\$ 1,287,475

For operating leases indexed to three-months LIBOR, commitment under these leases are calculated using the most recently available LIBOR rate.

19. Concentrations:

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

	Three months ended March 31,	
	2019	2018
COSCO	\$97,189	\$99,016
Yang Ming Marine	63,338	42,397
MOL	42,384	33,121
Other	82,412	50,242
	\$285,323	\$224,776

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20. Financial instruments:

(a) Fair value:

The carrying values of cash and cash equivalents, short-term investments, restricted cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values because of their short term to maturity.

As of March 31, 2019, the fair value of the Company's revolving and term loan credit facilities, excluding deferred financing fees is \$2,589,044,000 (December 31, 2018 - \$2,875,691,000) and the carrying value is \$2,656,388,000 (December 31, 2018 - \$2,944,602,000). As of March 31, 2019, the fair value of the Company's operating lease liabilities is \$1,014,279,000 and the carrying value is \$1,025,819,000. As of March 31, 2019, the fair value of the Company's long-term obligations under other financing arrangements, excluding deferred financing fees, is \$647,425,000 (December 31, 2018 - \$660,919,000) and the carrying value is \$635,113,000 (December 31, 2018 - \$647,664,000). The fair value of the revolving and term loan credit facilities, operating lease liabilities and long-term obligations under other financing arrangements, excluding deferred financing fees, are estimated based on expected principal repayments and interest, discounted by relevant forward rates plus a margin appropriate to the credit risk of the Company. Therefore, the Company has categorized the fair value of these financial instruments as Level 2 in the fair value hierarchy.

As of March 31, 2019, the fair value of the Company's senior unsecured notes is \$391,752,000 (December 31, 2018 - \$400,049,000) and the carrying value is \$391,398,000 (December 31, 2018 - \$400,396,000). The fair value of senior unsecured notes is calculated based on a quoted price that is readily and regularly available in an active market. Therefore, the Company has categorized the fair value of these financial instruments as Level 1 in the fair value hierarchy.

As of March 31, 2019, the fair value of the Fairfax Notes is \$497,080,000 (December 31, 2018 - \$236,349,000) and the carrying value is \$335,793,000 (December 31, 2018 - \$166,608,000). The Annual Put Right features on the Fairfax Notes are considered embedded derivatives that are separately accounted for and are re-measured at fair value at the end of each reporting period. The fair value of the derivative put instruments at each reporting period is derived from the difference between the fair value of the Fairfax Notes and the fair value of a similar debt without Annual Put Rights, which are calculated using a trinomial tree. The assumptions used include our estimate of the risk-free yield curve, interest volatility and Company specific credit risk. The fair value of the Fairfax Notes and derivative put instruments are determined based on interest rate inputs that are unobservable. Therefore, the Company has categorized the fair value of these derivative financial instruments as Level 3 in the fair value hierarchy.

The Company's interest rate derivative financial instruments are re-measured to fair value at the end of each reporting period. The fair values of the interest rate derivative financial instruments have been calculated by discounting the future cash flow of both the fixed rate and variable rate interest rate payments. The discount rate was derived from a

yield curve created by nationally recognized financial institutions adjusted for the associated credit risk. The fair values of the interest rate derivative financial instruments are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Therefore, the Company has categorized the fair value of these derivative financial instruments as Level 2 in the fair value hierarchy.

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20. Financial instruments (continued):

(b) Interest rate derivative financial instruments:

As of March 31, 2019, the Company had the following outstanding interest rate derivatives:

Fixed per annum rate swapped for LIBOR	Notional amount as of		Maximum notional amount ⁽¹⁾	Effective date	Ending date
	March 31, 2019	March 31, 2019			
5.8700%	\$539,114	\$539,114		August 31, 2017	November 28, 2025 ⁽²⁾
5.4200%	362,437	362,437		September 6, 2007	May 31, 2024
5.6000%	121,600	121,600		June 23, 2010	December 23, 2021 ⁽³⁾
3.2675%	68,443	68,443		September 8, 2015	September 8, 2020
3.0900%	66,942	66,942		June 5, 2015	June 5, 2020

⁽¹⁾Over the term of the interest rate swaps, the notional amounts increase and decrease. These amounts represent the peak notional amounts over the remaining term of the swap.

⁽²⁾Swap counterparty has an early termination right in August 2019, which may require the Company to settle the swap earlier than the termination date. The fair value liability as of March 31, 2019 for this swap is \$74,435,000 (December 31, 2018 - \$68,728,000).

⁽³⁾Prospectively de-designated as an accounting hedge in 2008.

If interest rates remain at their current levels, the Company expects that \$31,182,000 would be settled in cash in the next 12 months on interest rate swaps maturing after March 31, 2019. The amount of the actual settlement may be different depending on the interest rate in effect at the time settlements are made.

(c) Derivative assets and liabilities:

The following provides information about the Company's derivatives:

March 31, December 31,

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	2019	2018
Fair value of financial instruments asset		
Interest rate swaps	\$—	\$ 113
Fair value of financial instruments liability		
Interest rate swaps	124,990	115,853
Derivative put instruments	8,848	11,319

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20. Financial instruments (continued):

(c) Derivative assets and liabilities (continued):

The following table provides information about gains and losses included in net earnings and reclassified from accumulated other comprehensive loss ("AOCL") into earnings:

	Three months ended March 31,	
	2019	2018
Earnings (loss) on derivatives recognized		
in net earnings:		
Change in fair value of interest		
rate swaps	\$(16,904)	\$19,322
Change in fair value of derivative		
put instruments	15,760	—
Loss reclassified from AOCL to net		
earnings ⁽¹⁾		
Interest expense	(75)	(88)
Depreciation and amortization	(185)	(212)

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

The estimated amount of AOCL expected to be reclassified to net earnings within the next 12 months is approximately \$1,013,000.

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21. Guarantor financial information:

The Fairfax Notes are guaranteed by the following wholly owned subsidiaries of the Company, each a “Guarantor”:

- Seaspan 140 Ltd.
- Seaspan Holding 140 Ltd.
- Seaspan (Asia) Corporation
- Seaspan Capital Ltd.
- Seaspan Containership 2180 Ltd.
- Seaspan Containership 2181 Ltd.
- Seaspan Holdco I Ltd.
- Seaspan Holdco II Ltd.
- Seaspan Holdco III Ltd.
- Seaspan Holdco IV Ltd.
- Seaspan Investment I Ltd.
- Seaspan Ship Management Ltd.
- Seaspan Crew Management Ltd.
- Seaspan Management Services Limited
- Seaspan Advisory Services Limited

The guarantees are full and unconditional and joint and several, subject to certain customary release provisions including (1) the sale, exchange or transfer of a Guarantor in accordance with the terms of the Fairfax Notes (2) upon the legal defeasance or covenant defeasance or discharge of obligations under the Fairfax Notes and (3) merger or consolidation of a Guarantor with Seaspan Corporation or another Guarantor. For the purposes of the following footnote, Seaspan Corporation is referred to as “Issuer”. The following supplemental combining and condensed consolidating financial information reflects the Issuer’s separate account, the combined accounts of the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries, the combining and consolidating adjustments and eliminations and the Issuer’s consolidated accounts for the dates and periods indicated. For purposes of the following combining and consolidating information, the Issuer’s investment in its subsidiaries and the Guarantor subsidiaries’ investments in their subsidiaries include their proportionate interest in the net assets of the subsidiaries.

The following tables present consolidating financial information related to the guarantees of the Fairfax Notes:

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21. Guarantor financial information (continued):

	March 31, 2019				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$463,234	\$30,160	\$ 132,793	\$—	\$ 626,187
Short-term investments	—	105	—	—	105
Accounts receivable	230,500	7,894	746	—	239,140
Intercompany accounts receivable	172,906	57,450	812	(231,168)	—
Loans to affiliate	37,815	—	—	(37,815)	—
Prepaid expenses and other	20,567	36,036	1,064	(20,005)	37,662
Gross investment in lease	44,469	—	—	—	44,469
	969,491	131,645	135,415	(288,988)	947,563
Vessels	3,775,430	291,300	1,803,513	(723)	5,869,520
Right-of-use assets	1,151,864	21,795	99,689	(232,593)	1,040,755
Gross investment in lease	806,574	—	—	—	806,574
Goodwill	—	75,321	—	—	75,321
Investment in subsidiaries	968,173	597,076	—	(1,565,249)	—
Other assets	79,829	21,868	93,802	(11,816)	183,683
	\$7,751,361	\$ 1,139,005	\$ 2,132,419	\$(2,099,369)	\$ 8,923,416
Liabilities, puttable preferred shares and shareholders' equity					
Current liabilities:					
Accounts payable and accrued liabilities	\$29,856	\$39,861	\$ 1,407	\$—	\$ 71,124
Intercompany accounts payable	32,418	41,805	156,945	(231,168)	—
Loans from affiliate	—	—	37,815	(37,815)	—
Current portion of deferred revenue	47,493	20,002	4,640	(20,728)	51,407
Current portion of long-term debt	455,071	—	104,729	—	559,800
Current portion of operating lease liabilities	182,942	7,746	13,656	(44,334)	160,010
Current portion of long-term obligations under	132,462	16,549	—	—	149,011

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other financing arrangements					
Current portion of other long-term liabilities	1,411	—	6,823	—	8,234
	881,653	125,963	326,015	(334,045)	999,586
Deferred revenue	368,502	—	—	—	368,502
Long-term debt	1,794,926	—	1,006,203	—	2,801,129
Operating lease liabilities	953,943	14,061	86,064	(188,259)	865,809
Long-term obligations under other financing					
arrangements	351,467	127,190	—	—	478,657
Other long-term liabilities	10,716	14,686	4,777	(11,816)	18,363
Fair value of financial instruments	132,622	—	1,216	—	133,838
	4,493,829	281,900	1,424,275	(534,120)	5,665,884
Puttable preferred shares	48,517	—	—	—	48,517
Shareholders' equity:					
Share capital	2,489	436,669	526,532	(963,201)	2,489
Treasury shares	(374)	—	—	—	(374)
Additional paid in capital	3,448,904	233,739	116,127	(349,866)	3,448,904
Retained earnings (deficit)	(219,693)	186,697	65,485	(252,182)	(219,693)
Accumulated other comprehensive loss	(22,311)	—	—	—	(22,311)
	3,209,015	857,105	708,144	(1,565,249)	3,209,015
	\$7,751,361	\$1,139,005	\$2,132,419	\$(2,099,369)	\$8,923,416

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21. Guarantor financial information (continued):

	December 31, 2018				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$218,903	\$32,017	\$ 106,407	\$—	\$ 357,327
Short-term investments	—	105	2,427	—	2,532
Accounts receivable	1,926	7,707	3,368	—	13,001
Intercompany accounts receivable	169,170	65,173	2,176	(236,519)	—
Loans to affiliate	36,527	—	—	(36,527)	—
Prepaid expenses and other	24,045	33,388	1,174	(22,088)	36,519
Gross investment in lease	44,348	—	—	—	44,348
Fair value of financial instruments	—	—	113	—	113
	494,919	138,390	115,665	(295,134)	453,840
Vessels	3,813,906	294,305	1,818,786	(723)	5,926,274
Gross investment in lease	817,631	—	—	—	817,631
Goodwill	—	75,321	—	—	75,321
Investment in subsidiaries	951,062	577,305	—	(1,528,367)	—
Other assets	100,264	18,978	96,168	(10,479)	204,931
	\$6,177,782	\$ 1,104,299	\$ 2,030,619	\$(1,834,703)	\$ 7,477,997
Liabilities, puttable preferred shares and shareholders' equity					
Current liabilities:					
Accounts payable and accrued liabilities	\$29,443	\$38,620	\$ 2,148	\$—	\$ 70,211
Intercompany accounts payable	48,942	38,499	149,078	(236,519)	—
Loans from affiliate	—	—	36,527	(36,527)	—
Current portion of deferred revenue	51,191	20,985	4,724	(20,985)	55,915
Current portion of long-term debt	619,839	—	102,802	—	722,641
Current portion of long-term obligations under	32,050	16,334	—	—	48,384

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other financing arrangements					
Current portion of other long-term liabilities	23,594	—	8,649	—	32,243
	805,059	114,438	303,928	(294,031)	929,394
Deferred revenue	376,884	—	—	—	376,884
Long-term debt	1,732,110	—	1,032,790	—	2,764,900
Long-term obligations under other financing					
arrangements	459,520	131,852	—	—	591,372
Other long-term liabilities	169,934	15,530	6,433	(11,740)	180,157
Fair value of financial instruments	126,157	—	1,015	—	127,172
	3,669,664	261,820	1,344,166	(305,771)	4,969,879
Puttable preferred shares	48,139	—	—	—	48,139
Shareholders' equity:					
Share capital	2,102	436,669	526,532	(963,201)	2,102
Treasury shares	(371)	—	—	—	(371)
Additional paid in capital	3,126,457	233,739	116,127	(349,866)	3,126,457
Retained earnings (deficit)	(645,638)	172,071	43,794	(215,865)	(645,638)
Accumulated other comprehensive loss	(22,571)	—	—	—	(22,571)
	2,459,979	842,479	686,453	(1,528,932)	2,459,979
	\$6,177,782	\$1,104,299	\$2,030,619	\$(1,834,703)	\$7,477,997

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21. Guarantor financial information (continued):

	Three months ended March 31, 2019				
	Parent				
	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	\$217,522	\$ 63,950	\$ 71,142	\$ (67,291)	\$ 285,323
Operating expenses (income):					
Ship operating	57,042	49,253	12,705	(61,291)	57,709
Depreciation and amortization	43,738	3,501	15,258	—	62,497
General and administrative	9,416	5,259	124	(6,000)	8,799
Operating leases	34,383	1,424	3,426	—	39,233
Income related to modification of time					
charters	(227,000)	—	—	—	(227,000)
	(82,421)	59,437	31,513	(67,291)	(58,762)
Operating earnings	299,943	4,513	39,629	—	344,085
Other expenses (income):					
Interest expense and amortization of deferred					
financing fees	37,929	2,161	17,890	(1,929)	56,051
Amortization of debt discount	4,034	—	—	—	4,034
Interest income	(4,610)	(131)	(338)	1,929	(3,150)
Change in fair value of financial instruments	840	(61)	365	—	1,144
Equity income on consolidated subsidiaries	(23,900)	(19,792)	—	43,692	—
Other expense	335	356	—	—	691
	14,628	(17,467)	17,917	43,692	58,770
Net earnings (loss)	\$285,315	\$ 21,980	\$ 21,712	\$ (43,692)	\$ 285,315

	Three months ended March 31, 2019				
	Parent				
	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net earnings (loss)	\$285,315	\$ 21,992	\$ 21,743	\$ (43,735)	\$ 285,315
Amounts reclassified to net earnings during	260	—	—	—	260

the year relating to cash flow hedging

instruments

Comprehensive income (loss)	\$285,575	\$ 21,992	\$ 21,743	\$ (43,735)	\$ 285,575
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21. Guarantor financial information (continued):

	Three months ended March 31, 2018				
	Parent				
	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	\$207,081	\$ 65,829	\$ 20,837	\$ (68,971)	\$ 224,776
Operating expenses:					
Ship operating	60,144	47,934	4,442	(62,971)	49,549
Depreciation and amortization	44,701	3,607	5,617	—	53,925
General and administrative	8,587	4,267	419	(6,000)	7,273
Operating leases	26,687	1,307	3,200	—	31,194
	140,119	57,115	13,678	(68,971)	141,941
Operating earnings	66,962	8,714	7,159	—	82,835
Other expenses (income):					
Interest expense and amortization of deferred					
financing fees	30,723	1,969	5,257	—	37,949
Amortization of debt discount	1,032	—	—	—	1,032
Interest income	(1,137)	(132)	(1)	—	(1,270)
Acquisition related gain on contract settlement	—	(2,430)	—	—	(2,430)
Change in fair value of financial instruments	(19,582)	105	155	—	(19,322)
Equity income on investment	(12,103)	(4,658)	—	15,545	(1,216)
Other expense (income)	313	77	(14)	—	376
	(754)	(5,069)	5,397	15,545	15,119
Net earnings (loss)	\$67,716	\$ 13,783	\$ 1,762	\$ (15,545)	\$ 67,716

	Three months ended March 31, 2018				
	Parent				
	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net earnings (loss)	\$67,716	\$ 13,783	\$ 1,762	\$ (15,545)	\$ 67,716
Amounts reclassified to net earnings during	300	—	—	—	300

the year relating to cash flow hedging

instruments

Comprehensive income (loss)	\$68,016	\$ 13,783	\$ 1,762	\$ (15,545)	\$ 68,016
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21. Guarantor financial information (continued):

	Three months ended March 31, 2019				Consolidated
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	
Cash from operating activities	\$65,748	\$ 6,693	\$ 50,156	\$ —	\$ 122,597
Financing activities:					
Repayment of credit facilities	(263,163)	—	(25,189)	—	(288,352)
Fairfax debentures and warrants issued	250,000	—	—	—	250,000
Repayment on long-term obligations under					
other financing arrangements	(7,947)	(4,604)	—	—	(12,551)
Senior unsecured notes repurchased,					
including related expenses	(8,998)	—	—	—	(8,998)
Proceeds from exercise of warrants	250,000	—	—	—	250,000
Financing fees	(1,065)	—	—	—	(1,065)
Dividends on common shares	(21,819)	—	—	—	(21,819)
Dividends on preferred shares	(17,719)	—	—	—	(17,719)
Cash from (used in) financing activities	179,289	(4,604)	(25,189)	—	149,496
Investing activities:					
Expenditures for vessels	(1,461)	(38)	(42)	—	(1,541)
Short-term investments	—	—	2,426	—	2,426
Other assets	755	(3,910)	(960)	—	(4,115)
Cash from (used in) investing activities	(706)	(3,948)	1,424	—	(3,230)
Increase (decrease) in cash and cash equivalents	244,331	(1,859)	26,391	—	268,863
Cash, cash equivalents and restricted cash,					
beginning of period	218,903	39,914	112,579	—	371,396
Cash, cash equivalents and restricted cash,					
end of period	\$463,234	\$ 38,055	\$ 138,970	\$ —	\$ 640,259

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21. Guarantor financial information (continued):

	Three months ended March 31, 2018				Consolidated
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	
Cash from (used in) operating activities	\$86,776	\$ (16,839)	\$ 69	\$ (446)	\$ 69,560
Financing activities:					
Repayment of credit facilities	(43,067)	—	(20,512)	—	(63,579)
Draws on credit facilities	100,000	—	—	—	100,000
2025 Notes and 2018 Warrants issued	250,000	—	—	—	250,000
Draws on long-term obligations under other					
financing arrangements	—	42,700	—	—	42,700
Repayment on long-term obligations					
under other financing arrangements	—	(6,779)	—	—	(6,779)
Financing fees	(5,488)	185	171	—	(5,132)
Dividends on common shares	(9,326)	—	—	—	(9,326)
Dividends on preferred shares					