Seaspan CORP
Form 6-K
July 19, 2007

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

UNDER

THE SECURITIES EXCHANGE ACT OF 1934

Date of Report: July 18, 2007

Commission File Number 1-32591

SEASPAN CORPORATION

(Exact name of Registrant as specified in its Charter)

Unit 2, 7th Floor, Bupa Centre,

141 Connaught Road West,

Hong Kong

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 x Form 40-F ¨

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

[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 x

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.] Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-.

Item 1 Information Contained in this Form 6-K Report

Attached as Exhibit I is Seaspan Corporation s report on Form 6-K for the quarter ended June 30, 2007.

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: July 18, 2007

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

EXHIBIT I

SEASPAN CORPORATION

REPORT ON FORM 6-K FOR THE QUARTER ENDED JUNE 30, 2007

INDEX

PART I FINANCIAL INFORMATION

SEASPAN CORPORATION

Interim Balance Sheets

(Unaudited)

(Expressed in thousands of United States dollars)

	June 30, 2007	December 31, 2006 (As adjusted - note 2)
Assets		
Current assets:		
Cash and cash equivalents	$ 109,929	$ 92,227
Accounts receivable	447	641
Prepaid expenses	4,153	3,787
	114,529	96,655
Vessels (note 4)	1,716,869	1,198,782
Deferred charges (note 5)	11,494	7,879
Other assets (note 6)	4,009	3,189
Fair value of financial instruments	43,059	10,711
	$ 1,889,960	$ 1,317,216
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 10(a))	$ 6,476	$ 5,607
Deferred revenue	7,408	5,560
	13,884	11,167
Long-term debt (note 7)	962,539	563,203
Fair value of financial instruments	4,250	15,831
Shareholders equity:		
Share capital (note 8)		
Class A common shares; $0.01 par value; 200,000,000 shares authorized; 45,906,500 shares issued and outstanding		
Class B common shares; $0.01 par value; 25,000,000 shares authorized; 7,145,000 shares issued and outstanding		
Class C common shares; $0.01 par value; 100 shares authorized; 100 shares issued and outstanding		
Preferred shares; $0.01 par value; 65,000,000 shares authorized; none issued and outstanding	530	475
Additional paid in capital	903,311	748,410
Retained deficit	(14,313)	(17,658)
Accumulated other comprehensive income (loss)	19,759	(4,212)
	909,287	727,015
	$ 1,889,960	$ 1,317,216

Commitments and contingent obligations (note 11)

Subsequent events (note 13)

See accompanying notes to financial statements.

SEASPAN CORPORATION

Interim Statement of Earnings

(Unaudited)

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

	Three months ended June 30, 2007	Three months ended June 30, 2006 (As adjusted - note 2)	Six months ended June 30, 2007	Six months ended June 30, 2006 (As adjusted - note 2)
Revenue	$ 48,876	$ 27,829	$ 90,104	$ 52,636
Operating expenses:				
Ship operating (note 3(a))	11,153	6,674	20,910	12,469
Depreciation	12,220	6,276	22,736	11,880
General and administrative	1,483	1,148	2,842	2,109
	24,856	14,098	46,488	26,458
Operating earnings	24,020	13,731	43,616	26,178
Other expenses (earnings):				
Interest expense	8,580	3,988	15,127	6,691
Interest income	(1,040)	(86)	(2,115)	(249)
Undrawn credit facility fee	587	788	1,248	1,349
Amortization of deferred charges (note 5)	248	494	429	984
Write-off on debt refinancing (note 5)	635		635	
Change in fair value of financial instruments	(18,512)	99	(19,957)	99
	(9,502)	5,283	(4,633)	8,874
Net earnings	$ 33,522	$ 8,448	$ 48,249	$ 17,304
Weighted average shares used in computation of basic earnings per share	51,575	36,006	49,557	36,006
Weighted average shares used in computation of diluted earnings per share	51,605	36,006	49,583	36,006
Earnings per share, basic and diluted	$ 0.65	$ 0.23	$ 0.97	$ 0.48

See accompanying notes to financial statements.

SEASPAN CORPORATION

Interim Statement of Shareholders Equity

(Unaudited)

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

Six months ended June 30, 2007

	Number of common shares								
	Class A	**Class B**	**Class C**	**Common shares**	**Additional paid-in capital**	**Retained earnings (deficit)**	**Accumulated other comprehensive income (loss)**	**Total shareholders equity**	**Total comprehensive income**
						(As adjusted - note 2)		**(As adjusted - note 2)**	**(As adjusted - note 2)**
Balance, December 31, 2005	28,846,500	7,145,000	100	$ 360	$ 512,229	$ 6,471	$ 4,799	$ 523,859	
Class A common shares issued on equity offering	11,500,000			115	247,135			247,250	
Fees and expenses in connection with issuance of common shares					(12,136)			(12,136)	
Share-based compensation expenses (note 9):									
Restricted Class A common shares issued and phantom share units	30,750				1,182			1,182	
Net earnings						37,088		37,088	$ 37,088
Other comprehensive net income:									
Change in fair value of financial instruments designated as cashflow hedging instruments							(9,011)	(9,011)	(9,011)
									$ 28,077
Dividends on common shares						(61,217)		(61,217)	
Balance, December 31, 2006	40,377,250	7,145,000	100	475	748,410	(17,658)	(4,212)	727,015	
Class A common shares issued on equity offering (note 8)	5,475,000			55	161,184			161,239	
Fees and expenses in connection with issuance of common shares					(6,878)			(6,878)	
Share-based compensation expenses (note 9):									
Restricted Class A common shares issued and phantom share units	54,250				595			595	
Net earnings						48,249		48,249	$ 48,249

Other comprehensive net income:									
Change in fair value of financial instruments designated as cashflow hedging instruments							23,971	23,971	23,971
Dividends on common shares						(44,904)		(44,904)	$ 72,220
Balance, June 30, 2007	45,906,500	7,145,000	100	$ 530	$ 903,311	$ (14,313)	$ 19,759	$ 909,287	

See accompanying notes to financial statements.

SEASPAN CORPORATION

Interim Statement of Cash Flows

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended June 30, 2007	Three months ended June 30, 2006 (As adjusted - note 2)	Six months ended June 30, 2007	Six months ended June 30, 2006 (As adjusted - note 2)
Cash provided by (used in):				
Operating activities:				
Net earnings	$ 33,522	$ 8,448	$ 48,249	$ 17,304
Items not involving cash:				
Depreciation	12,220	6,276	22,736	11,880
Share-based compensation (note 9)	270	75	595	151
Amortization of deferred charges (note 5)	248	494	429	984
Write-off on debt refinancing (note 5)	635		635	
Change in fair value of financial instruments	(18,512)	99	(19,957)	99
Change in assets and liabilities:				
Prepaid expenses and accounts receivable	(415)	(392)	(172)	(486)
Other assets and deferred charges	(611)	(361)	(1,719)	(673)
Accounts payable and accrued liabilities	395	307	869	52
Deferred revenue	444	(1,161)	1,848	(441)
Cash from operating activities	28,196	13,785	53,513	28,870
Financing activities:				
Common shares issued, net of share issue costs (note 8)	154,361		154,361	
Draws on credit facilities (note 7)	226,926	75,393	399,336	189,180
Deferred financing fees incurred (note 5)	(3,892)	(1,554)	(3,961)	(1,654)
Dividends on common shares	(23,674)	(15,303)	(44,904)	(30,606)
Cash from financing activities	353,721	58,536	504,832	156,920
Investing activities:				
Expenditures for vessels	(57,578)	(56,893)	(280,399)	(170,680)
Deposits on vessels	(248,426)	(16,556)	(260,216)	(20,556)
Intangible assets	(129)		(28)	
Cash used in investing activities	(306,133)	(73,449)	(540,643)	(191,236)
Increase (decrease) in cash and cash equivalents	75,784	(1,128)	17,702	(5,446)
Cash and cash equivalents, beginning of period	34,145	11,400	92,227	15,718
Cash and cash equivalents, end of period	$ 109,929	$ 10,272	$ 109,929	$ 10,272

Supplementary information (note 10(b))

See accompanying notes to financial statements.

4

SEASPAN CORPORATION

Notes to Interim Financial Statements

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

Three and six months ended June 30, 2007

1. General:

The accompanying financial information is unaudited and reflects all adjustments, consisting solely of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of results for the interim periods presented. They do not include all disclosures required under United States generally accepted accounting principles for annual financial statements. These financial statements should be read in conjunction with the December 31, 2006 financial statements filed with the Securities and Exchange Commission (SEC) in the Company s Annual Report on Form 20-F and Exhibit 2 of the report on Form 6-K filed on April 17, 2007 with the SEC for the retrospective application of a change in accounting policy.

2. Significant accounting policies:

Except as disclosed below, the significant accounting policies used in preparing these financial statements are consistent with those used in preparing Seaspan Corporation s (the Company s) financial statements for the year ended December 31, 2006.

(a) Effective January 1, 2007, the Company adopted FSP AUG AIR-1, *Accounting for Planned Major Maintenance Activities*, which provides guidance on the accounting for planned major maintenance activities. Previously, the Company accounted for dry-dock activities using the Accrue-in-advance method. The Company has adopted the deferral method of accounting for dry-dock activities whereby actual costs incurred are deferred and amortized on a straight line basis over the period until the next scheduled dry-dock activity.

The Company has applied FSP AUG AIR-1 retrospectively, resulting in the restatement of 2006 results. The impact of this restatement on the balance sheet as at December 31, 2006, the statement of earnings for the six months ended June 30, 2007 and the statement of shareholders equity for the year ended December 31, 2006 are as follows:

	As previously reported	Adjustment	As adjusted
As at December 31, 2006:			
Deferred charges	$ 7,809	$ 70	$ 7,879
Other assets	1,315	1,874	3,189
For the six months ended June 30, 2006:			
Operating earnings	$ 25,505	$ 673	$ 26,178
Other expenses	8,868	6	8,874
Net earnings	16,637	667	17,304
Earnings per share	0.46	0.02	0.48
For the year ended December 31, 2006:			
Retained earnings, December 31, 2005	$ 6,051	$ 420	$ 6,471
Net earnings	35,564	1,524	37,088

SEASPAN CORPORATION

Notes to Interim Financial Statements

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

Three and six months ended June 30, 2007

2. Significant accounting policies (continued):

(b) Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current quarter.

3. Related party transactions:

(a) Management Agreements:

Seaspan Management Services Limited and its wholly-owned subsidiaries (the Manager) is owned by a group of individuals through companies and two trusts who also own the Company s 7,145,000 Class B common shares issued and outstanding, representing a 13.5% voting interest in the Company as at June 30, 2007.

In connection with entering into the agreement to provide the Company with the strategic services described below, the Company has issued 100 incentive shares to the Manager. The incentive shares are entitled to a share of incremental dividends, based on specified sharing ratios, once dividends on the Company s common and subordinated shares reach certain specified targets beginning with the first target of $0.485 per share per quarter. At June 30, 2007, the incentive shares do not have rights to incremental dividends.

Under the Management Agreement, the Manager provides services to the Company for fees which are fixed through December 31, 2008 and thereafter will be subject to renegotiation every three years as follows:

Technical Services The Manager is responsible for providing ship operating expenses to the Company in exchange for a fixed fee $4,500 per day for each 4250 TEU vessel, $6,000 per day for each 8500 TEU vessel and $6,500 per day for each 9600 TEU vessel. The technical services fee does not include certain extraordinary items. For vessels operating or that began operations during the six-month period ended June 30, 2007, the Manager provided technical services at a cost of $21,890,000 (2006 - $13,142,000) to the Company. A portion of the technical services fee relates to dry-dock activities. During the six-month period ended June 30, 2007, $1,162,000 (2006 - $673,000) of the technical services fee paid to the Manager relate to dry-dock activities.

Administrative and Strategic Services The Manager provides administrative and strategic services to the Company for the management of the business for a fixed fee of $72,000 per year. The Company will also reimburse all reasonable expenses incurred by the Manager in providing these services to the Company. During the six month period ended June 30, 2007, the Manager provided fixed fee administrative and strategic services at a cost of $36,000 (2006 - $36,000), and the Company reimbursed expenses incurred by the Manager in the amount of $760,000 (2006 - $418,000).

SEASPAN CORPORATION

Notes to Interim Financial Statements

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

Three and six months ended June 30, 2007

3. Related party transactions:

(a) Management Agreements (continued):

On May 4, 2007, the Management Agreement was amended and restated to include the secondhand vessels (the Amended Management Agreement). Under the original Management Agreement, the Manager provides technical, strategic and administrative services (the Services) to the Company for the 23 vessels that made up the Company s contracted fleet at the time of the IPO (the IPO vessels). These Services will continue to be provided to the Company under the Amended Management Agreement. Under the Amended Management Agreement, the Manager may also provide Services on any other new build or secondhand vessel that the Company acquires. Under the Amended Management Agreement, the Manager is responsible for providing ship operating expenses to the Company in exchange for a fixed fee $5,750 per day for each 4800 TEU vessel until December 31, 2008 and thereafter will be subject to renegotiation every three years.

Under the Amended Management Agreement, the Company will fund at its own expense pre-delivery purchases and services to ensure the seaworthiness and readiness for service and will pay all fees associated with the classification society or registration of the vessel under the relevant flag.

On May 18, 2007, the Company entered into a Management Agreement for the 2500 TEU and 3500 TEU vessels (the 2500/3500 Management Agreement). Under the 2500/3500 Management Agreement, the Manager provides technical services to the Company for fees which are fixed through December 31, 2008 and thereafter will be subject to renegotiation every three years. The Manager is responsible for providing ship operating expenses to the Company in exchange for a fixed fee of $4,000 per day for each 2500 TEU vessel and $4,200 per day for each 3500 TEU vessel. The technical services fee does not include certain extraordinary items.

On May 18, 2007, the Company entered into a Management Agreement for the 5100 TEU vessels (the 5100 Management Agreement). Under the 5100 TEU Management Agreement, the Manager provides technical services to the Company for fees which are fixed through December 31, 2008 and thereafter will be subject to renegotiation every three years. The Manager is responsible for providing ship operating expenses to the Company in exchange for a fixed fee of $4,800 per day for each 5100 TEU vessel. The technical services fee does not include certain extraordinary items.

SEASPAN CORPORATION

Notes to Interim Financial Statements

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

Three and six months ended June 30, 2007

3. Related party transactions (continued):

(a) Management Agreements (continued):

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(b) Due to related parties:

As at June 30, 2007, $2,713,000 (December 31, 2006 - $1,116,000) is due to related parties for reimbursement of administrative and strategic services expenses, supervision services, dry-dock costs and acquisition costs paid on the Company s behalf. As at June 30, 2007, $430,000 (December 31, 2006 - $204,000) is due to related parties for amounts collected from or deducted by charterers by the Company on the behalf of related parties. These amounts are to be repaid in the ordinary course of business.

4. Vessels:

June 30, 2007	**Cost**	**Accumulated depreciation**	**Net book value**
Vessels	$ 1,411,110	$ 56,800	$ 1,354,310
Deposits on vessels	362,559		362,559
	$ 1,773,669	$ 56,800	$ 1,716,869

December 31, 2006	**Cost**	**Accumulated depreciation**	**Net book value**
Vessels	$ 1,130,712	$ 34,064	$ 1,096,648
Deposits on vessels	102,134		102,134
	$ 1,232,846	$ 34,064	$ 1,198,782

During the six month period ended June 30, 2007, the Company capitalized interest costs of $4,490,000 (2006 $57,000) as deposits on vessels.

SEASPAN CORPORATION

Notes to Interim Financial Statements

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

Three and six months ended June 30, 2007

5. Deferred charges:

	Dry-docking	Financing fees	Total
December 31, 2006, as adjusted (note 2)	$ 70	$ 7,809	$ 7,879
Cost incurred	927	3,961	4,888
Amortization expensed	(65)	(364)	(429)
Amortization capitalized		(209)	(209)
Write-off on debt refinancing		(635)	(635)
June 30, 2007	$ 932	$ 10,562	$ 11,494

During the quarter ended June 30, 2007, the Company refinanced the $1.0 billion credit facility, as described in note 7. As a result, $635,000 of previously deferred costs incurred in connection with the $1.0 billion credit facility were expensed.

6. Other assets:

	June 30, 2007	December 31, 2006 (As adjusted - note 2)
Prepaid expenses	$ 2,666	$ 1,874
Intangible assets	1,343	1,315
Other assets	$ 4,009	$ 3,189

7. Long-term debt:

	June 30, 2007	December 31, 2006
$1.3 billion revolving credit facility (2006 - $1.0 billion credit facility)	$ 830,196	$ 464,347
$365.0 million revolving credit facility	66,630	35,420
$218.4 million credit facility	65,713	63,436
Long-term debt	$ 962,539	$ 563,203

SEASPAN CORPORATION

Notes to Interim Financial Statements

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

Three and six months ended June 30, 2007

7. Long-term debt (continued):

(a) On May 11, 2007, the Company amended and restated its $1.0 billion credit facility dated August 8, 2005. The amended and restated credit agreement provides for a $1.3 billion single-tranche senior secured seven year revolving credit facility ($1.3 billion revolving credit facility). The borrowings of this facility will be used to finance vessel acquisitions, to refinance vessels already acquired by the Company and for general corporate purposes.

The Company s obligations under the $1.3 billion revolving credit facility are secured by the following, among other things:

first and second priority mortgages on the 23 vessels in the Company s initial contracted fleet as well as the four 4800 TEU vessels which the Company purchased from A. P. Møller-Mærsk A/S between October and December 2006; and

first-priority assignment of earnings related to the above noted vessels, including time charter revenues, and a first-priority assignment of any insurance proceeds.

Until August 11, 2012, the Company will be able to borrow up to $1.3 billion without adding additional collateral so long as the total outstanding loan balance remains below 70% of the market value of the vessels that are collateralized. In certain circumstances and for a certain period of time, even if the Company s loan to value ratio exceeds 70%, the Company can borrow under the Facility so long as the loan to value ratio does not exceed 80% (the Overadvance Loan).

Beginning on August 11, 2012, the maximum facility amount will be reduced by $32.5 million per quarter until May 11, 2014, when the outstanding loan balance will be due and payable. If the facility is extended for one additional year, then in addition to the previous mentioned reduction and beginning on May 11, 2014, the maximum facility amount will be reduced by $65.0 million per quarter until May 11, 2015, when the outstanding loan balance will be due and payable. The Company has the right, subject to certain conditions, to add additional vessels to the collateral package to preserve access to the full amount of the facility.

The Company may prepay all loans at any time without penalty, other than breakage costs in certain circumstances. The Company is required to prepay a portion of the outstanding loans under certain circumstances, including the sale or loss of a vessel 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. The amended and restated credit agreement requires payment of interest at a rate per annum, calculated as LIBOR plus 0.7% per annum. In the case of an Overadvance Loan, the interest rate is LIBOR plus 1.0% per annum.

The $1.3 billion revolving credit facility requires payment of a commitment fee of 0.2625% per annum calculated on the undrawn, uncancelled portion of the facility.

SEASPAN CORPORATION

Notes to Interim Financial Statements

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

Three and six months ended June 30, 2007

7. Long-term debt (continued):

(a) (continued):

The facility maturity date is May 11, 2014, except that the Company has the option to extend the facility maturity for one additional year under certain circumstances.

The amended and restated credit agreement contains certain financial covenants including covenants requiring the Company to, among other things, maintain a minimum tangible net worth and interest and principal coverage ratios.

(b) Minimum repayments:

As at June 30, 2007, minimum repayments for the balances outstanding with respect to the credit facilities are as follows:

2010	$ 2,825
2011	3,012
Thereafter	956,702
	$ 962,539

8. Share capital:

On April 24, 2007, the Company completed an equity offering and issued 5,000,000 common shares at $29.45 per share. On April 30, 2007, an additional 475,000 common shares were issued to the underwriters as part of the over-allotment option granted to them by the Company. The net proceeds of $154,361,000 from this offering will be used to fund a portion of the purchase price of the undelivered vessels that the Company has contracted to purchase and for working capital and other general corporate purposes.

9. Share-based compensation:

In December 2005, the Company s board of directors adopted the Seaspan Corporation Stock Incentive Plan (the Plan), under which its officers, employees and directors may be granted options, restricted stock, phantom shares, and other stock-based awards as may be determined by the Company s board of directors. A total of 1,000,000 common shares were reserved for issuance under the Plan, which is administered by the Company s board of directors. The Plan expires 10 years from the date of its adoption.

SEASPAN CORPORATION

Notes to Interim Financial Statements

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

Three and six months ended June 30, 2007

9. Share-based compensation (continued):

Under the plan, the Company issued the following share-based awards during the six month period ended June 30, 2007.

(a) 18,750 restricted Class A common shares to its independent directors as compensation for services for 2007. These shares vest on December 31, 2007.

(b) 2,333 Class A common shares to the former Chief Financial Officer as additional compensation for services for 2006 and 2007.

During the six months ended June 30, 2007, the following share-based awards vested:

(c) On January 1, 2007, one-third of the phantom share units issued to the Chief Executive Officer as compensation for services vested. 33,167 Class A common shares were issued in exchange for the cancellation of the 33,167 vested phantom share units. The 66,333 phantom share units outstanding as at June 30, 2007 are expected to be settled in Class A common shares in exchange for the cancellation of the phantom share units as they vest.

(d) On January 1, 2007, one-third of the 14,500 restricted Class A common shares issued to the former Chief Financial Officer as compensation for services vested. The remaining two thirds of the 14,500 restricted Class A common shares issued will not vest and have been cancelled as the grantee is no longer in the service of the Company.

Share based awards are summarized as follows:

	Restricted shares		Phantom share units	
	Number of shares	**W.A. grant date FV**	**Number of shares**	**W.A. grant date FV**
December 31, 2006	14,500	$ 22.40	99,500	$ 22.40
Granted	21,083	24.43		
Vested	(4,833)	22.40	(33,167)	22.40
Cancelled	(9,667)	22.40		
June 30, 2007				