

Seaspan CORP
Form 6-K
May 01, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2014
Commission File Number 1-32591

SEASPAN CORPORATION
(Exact name of Registrant as specified in its Charter)

Unit 2, 7th Floor

Bupa Centre

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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

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

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

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Item 1 Information Contained in this Form 6-K Report

Attached as Exhibit I is Seaspan Corporation's report on Form 6-K for the quarter ended March 31, 2014. This Form 6-K 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 April 24, 2012 on Form F-3ASR (Registration No. 333-180895), 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 August 19, 2013 on Form F-3ASR (Registration No. 333-190718), as amended on October 7, 2013 and the Registration Statement of Seaspan Corporation filed with the SEC on April 29, 2014 on Form F-3ASR (Registration No. 333-195571).

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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: April 30, 2014

By: /s/ Sai W. Chu
Sai W. Chu
Chief Financial Officer
(Principal Financial and Accounting Officer)

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EXHIBIT I

SEASPAN CORPORATION

REPORT ON FORM 6-K FOR THE QUARTER ENDED MARCH 31, 2014

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

References to shipbuilders are as follows:

Shipbuilder

CSBC Corporation, Taiwan
 Hyundai Heavy Industries Co., Ltd.
 Jiangsu New Yangzi Shipbuilding Co., Ltd.
 Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd.

Reference

CSBC
 HHI
 New Jiangsu
 Jiangsu Xinfu

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References to customers are as follows:

Customer	Reference
China Shipping Container Lines (Asia) Co., Ltd. ⁽¹⁾	CSCL Asia
Compañía Sud Americana De Vapores S.A.	CSAV
COSCO Container Lines Co., Ltd. ⁽²⁾	COSCON
Hanjin Shipping Co., Ltd.	Hanjin
Hapag-Lloyd, AG	Hapag-Lloyd
Hapag-Lloyd USA, LLC	HL USA
Kawasaki Kisen Kaisha Ltd.	K-Line
Mediterranean Shipping Company S.A.	MSC
Mitsui O.S.K. Lines, Ltd.	MOL
Yang Ming Marine Transport Corp.	Yang Ming Marine

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

⁽²⁾ A subsidiary of China COSCO Holdings Company Limited

We use the term "twenty foot equivalent unit", or "TEU", the international standard measure of containers, in describing the capacity of our container ships, 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 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, 2013, filed with the Securities and Exchange Commission, or the Commission, on March 11, 2014, or our 2013 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.

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

Interim Consolidated Balance Sheets

(Unaudited)

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

	March 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 287,350	\$ 476,380
Short-term investments	1,752	11,675
Accounts receivable (note 2)	68,203	68,217
Prepaid expenses	30,556	22,671
Gross investment in lease	21,170	21,170
	409,031	600,113
Vessels (note 3)	5,092,644	4,992,271
Deferred charges (note 4)	51,068	53,971
Gross investment in lease	53,733	58,953
Goodwill	75,321	75,321
Other assets	100,314	106,944
Fair value of financial instruments (note 13(b))	53,202	60,188
	\$ 5,835,313	\$ 5,947,761
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 60,664	\$ 65,634
Current portion of deferred revenue (note 5)	25,572	27,683
Current portion of long-term debt (note 6)	143,303	388,159
Current portion of other long-term liabilities	40,452	38,930

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	269,991	520,406
Deferred revenue (note 5)	4,502	4,143
Long-term debt (note 6)	2,872,698	2,853,459
Other long-term liabilities	560,907	572,673
Fair value of financial instruments (note 13(b))	426,745	425,375
Shareholders' equity:		
Share capital (note 7):		
Preferred shares; \$0.01 par value; 150,000,000 shares authorized; 24,170,531 shares issued and outstanding (2013 18,970,531)		
Class A common shares; \$0.01 par value; 200,000,000 shares authorized; 93,453,508 shares issued and outstanding (2013 69,208,888)		
	1,177	882
Treasury shares	(379)	(379)
Additional paid in capital	2,172,471	2,023,622
Deficit	(433,576)	(411,792)
Accumulated other comprehensive loss	(39,223)	(40,628)
	1,700,470	1,571,705
	\$ 5,835,313	\$ 5,947,761

Commitments and contingencies (note 11)

Subsequent events (note 14)

See accompanying notes to interim consolidated financial statements.

Table of Contents**SEASPAN CORPORATION**

Interim Consolidated Statements of Operations

(Unaudited)

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

Three months ended March 31,	2014	2013
Revenue	\$ 167,983	\$ 164,924
Operating expenses:		
Ship operating	41,252	37,546
Depreciation and amortization	43,732	42,753
General and administrative	8,043	7,791
Operating lease	1,103	1,086
	94,130	89,176
Operating earnings	73,853	75,748
Other expenses (income):		
Interest expense	17,561	15,484
Interest income	(1,106)	(187)
Undrawn credit facility fees	566	397
Amortization of deferred charges (note 4)	2,003	2,110
Change in fair value of financial instruments (note 13(b))	36,343	2,666
Equity loss on investment	232	34
Other expenses (income)	226	(362)
	55,825	20,142
Net earnings	\$ 18,028	\$ 55,606
Earnings per share (note 8):		
Class A common share, basic	\$ 0.03	\$ 0.57
Class A common share, diluted	0.03	0.53

See accompanying notes to interim consolidated financial statements.

Table of Contents**SEASPAN CORPORATION**

Interim Consolidated Statements of Comprehensive Income

(Unaudited)

(Expressed in thousands of United States dollars)

Three months ended March 31,	2014	2013
Net earnings	\$ 18,028	\$ 55,606
Other comprehensive income:		
Amounts reclassified to net earnings during the period relating to cash flow hedging instruments	1,405	1,802
Comprehensive income	\$ 19,433	\$ 57,408

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Interim Consolidated Statements of Shareholders' Equity

(Unaudited)

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

Three months ended March 31, 2014 and year ended December 31, 2013

	Number of common shares		Number of preferred shares			Common shares	Preferred shares	Treasury shares	Additional paid-in capital	Deficit	Accumulated other comprehensive loss
	Class A	Series A	Series C	Series D	Series E						
March 31, 2014	63,042,217	200,000	14,000,000	3,105,000		\$ 631	\$ 173	\$ (312)	\$ 1,859,068	\$ (594,153)	\$ (46,840)
December 31, 2013										299,028	
Change											6,212
March 31, 2013				2,000,000			20		49,980		
December 31, 2012	3,500,000					35			76,965		
Change									(5,959)		
December 31, 2011										(76,340)	

Shares											
on d D											(38,493)
on											
sts									1,174		(1,174)
ed											
nt	1,561,838				16				31,945		
l on											
class											
are ock n d	79,088								14,004		
on	206,200				2				4,740		
h	820,697				8				(8)		
l,											
			(334,469)			(3)			(8,287)		(660)
ares	(1,152)							(67)			
31,	69,208,888	200,000	13,665,531	5,105,000	\$ 692	\$ 190	\$(379)	\$ 2,023,622	\$(411,792)	\$(40,628)	\$

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Interim Consolidated Statements of Shareholders' Equity (Continued)

(Unaudited)

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

Three months ended March 31, 2014 and year ended December 31, 2013

Number of common shares		Number of preferred shares			Common shares	Preferred shares	Treasury shares	Additional paid-in capital	Deficit	Accumulated other comprehensive loss
Class A	Series A	Series C	Series D	Series E						
69,208,888	200,000	13,665,531	5,105,000		\$ 692	\$ 190	\$ (379)	\$ 2,023,622	\$ (411,792)	\$ (40,628)
									18,028	
										1,405
23,177,175	(200,000)				232	(2)		(230)		
				5,400,000		54		134,946		
								(4,599)		

(28,993)

(10,540)

279 (279)

675,461 7 14,668

43,936 2,153

74,780 1 1,635

273,564 3 (3)

(296)

93,453,508 13,665,531 5,105,000 5,400,000 \$ 935 \$ 242 \$ (379) \$ 2,172,471 \$ (433,576) \$ (39,223)

See accompanying notes to interim consolidated financial statements.

Table of Contents**SEASPAN CORPORATION**

Interim Consolidated Statements of Cash Flows

(Unaudited)

(Expressed in thousands of United States dollars)

Three months ended March 31,	2014	2013
Cash from (used in):		
Operating activities:		
Net earnings	\$ 18,028	\$ 55,606
Items not involving cash:		
Depreciation and amortization	43,732	42,753
Share-based compensation (note 9)	2,303	2,811
Amortization of deferred charges (note 4)	2,003	2,110
Amounts reclassified from other comprehensive loss to interest expense	1,192	1,579
Unrealized change in fair value of financial instruments	2,921	(28,869)
Equity loss on investment	232	34
Other	266	
Changes in assets and liabilities:		
Accounts receivable and gross investment in lease	5,286	(20,707)
Prepaid expenses	(1,735)	(3,577)
Other assets and deferred charges	509	(2)
Accounts payable and accrued liabilities	2,013	(2,673)
Deferred revenue	(1,752)	(14,317)
Other long-term liabilities	(830)	(465)
Cash from operating activities	74,168	34,283
Financing activities:		
Preferred shares issued, net of issuance costs (note 7)	130,401	
Draws on credit facilities (note 6)	340,000	9,000
Repayment of credit facilities (note 6)	(627,637)	(21,007)
Other long-term liabilities	(10,244)	(10,073)
Financing fees (note 4)	(525)	(11,877)
Dividends on common shares	(14,318)	(9,172)
Dividends on preferred shares	(10,540)	(9,119)
Cash used in financing activities	(192,863)	(52,248)

Investing activities:		
Expenditures for vessels	(79,581)	(59,229)
Short-term investments	9,923	(30,273)
Intangible assets	(625)	1,118
Recoverable from affiliate (note 2)	(52)	
Investment in affiliate		(1,111)
Cash used in investing activities	(70,335)	(89,495)
Decrease in cash and cash equivalents	(189,030)	(107,460)
Cash and cash equivalents, beginning of period	476,380	393,478
Cash and cash equivalents, end of period	\$ 287,350	\$ 286,018

Supplemental cash flow information (note 10)

See accompanying notes to interim consolidated financial statements.

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Notes to Interim Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

(Unaudited)

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

1. Basis of presentation:

The accompanying interim financial information of Seaspan Corporation (the Company) has been prepared in accordance with United States generally accepted accounting principles (U.S. GAAP), on a basis consistent with those followed in the December 31, 2013 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. These 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, 2013 consolidated financial statements filed with the Securities and Exchange Commission in the Company's 2013 Annual Report on Form 20-F.

2. Related party transactions:

The Company incurred the following costs with related parties:

Three months ended March 31,	2014	2013
Arrangement fees		3,052
Transaction fees	1,538	860
Reimbursed expenses	59	18

Arrangement and transaction fees are paid to related parties in connection with debt or lease financing and pursuant to new build contracts, purchase or sale contracts, respectively.

At March 31, 2014, the Company had \$57,764,000 (December 31, 2013 - \$56,152,000) due from Greater China Intermodal Investments LLC (GCI) of which \$55,012,000 is in connection with vessels that GCI will acquire pursuant to a right of first refusal which bears interest at 5% or 6% per annum. The Company also had \$1,577,000 (December 31, 2013 - \$1,614,000) due from other related parties included in accounts receivable and \$704,000 (December 31, 2013 - \$611,000) due to related parties included in accounts payable.

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Notes to Interim Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

(Unaudited)

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

3. Vessels:

March 31, 2014	Cost	Accumulated depreciation	Net book value
Vessels	\$ 5,496,622	\$ 763,122	\$ 4,733,500
Vessels under construction	359,144		359,144
Vessels	\$ 5,855,766	\$ 763,122	\$ 5,092,644

December 31, 2013	Cost	Accumulated depreciation	Net book value
Vessels	\$ 5,391,713	\$ 720,814	\$ 4,670,899
Vessels under construction	321,372		321,372
Vessels	\$ 5,713,085	\$ 720,814	\$ 4,992,271

Included in vessels under construction is capitalized interest costs of \$1,833,000 (March 31, 2013 - \$1,638,000).

4. Deferred charges:

	Dry-docking	Financing fees	Total
December 31, 2013	\$ 12,247	\$ 41,724	\$ 53,971
Cost incurred	(26)	525	499
Amortization expensed	(1,087)	(2,003)	(3,090)

Amortization capitalized		(312)	(312)
March 31, 2014	\$ 11,134	\$ 39,934	\$ 51,068

5. Deferred revenue:

	March 31, 2014	December 31, 2013
Deferred revenue on time charters	\$ 18,828	\$ 21,099
Deferred interest on lease receivable	6,869	7,903
Other deferred revenue	4,377	2,824
Deferred revenue	30,074	31,826
Current portion	(25,572)	(27,683)
Deferred revenue	\$ 4,502	\$ 4,143

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Notes to Interim Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

(Unaudited)

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

6. Long-term debt:

	March 31, 2014	December 31, 2013
Long-term debt:		
Revolving credit facilities	\$ 1,225,996	\$ 2,268,841
Term loan credit facilities	1,790,005	972,777
Long-term debt	3,016,001	3,241,618
Current portion	(143,303)	(388,159)
Long-term debt	\$ 2,872,698	\$ 2,853,459

Effective January 31, 2014, the maturity date for the \$1.0 billion credit facility (the Facility) was extended from May 2015 to May 2019, the outstanding amount of the Facility was reduced to \$433,800,000 and the margin was increased. The reduction in the outstanding amount of the Facility was funded by drawing \$340,000,000 under existing credit facilities, one of which is secured by certain vessels that were pledged as collateral under the Facility, and approximately \$260,000,000 of cash on hand.

On March 27, 2014, the Company cancelled its \$150,000,000 revolving credit facility. No amounts were drawn under this facility as of March 27, 2014.

7. Share capital:

Preferred shares:

As at March 31, 2014, the Company had the following preferred shares outstanding:

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Series	Shares		Liquidation preference	
	Authorized	Issued	March 31, 2014	December 31, 2013
A	315,000		\$	\$ 344,262
B	260,000			
C	40,000,000	13,665,531	341,638	341,638
D	20,000,000	5,105,000	127,625	127,625
E	15,000,000	5,400,000	135,000	
R	1,000,000			

On January 28, 2014, the Company held a special meeting of shareholders and approved an increase to the number of the Company's authorized shares of preferred stock from 65,000,000 to 150,000,000 with a corresponding increase in the number of authorized shares of capital stock from 290,000,100 to 375,000,100.

On January 30, 2014, the Company's outstanding 200,000 Series A preferred shares automatically converted into a total of 23,177,175 Class A common shares.

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Notes to Interim Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

(Unaudited)

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

7. Share capital (continued):

On February 13, 2014, the Company issued 5,400,000 Series E preferred shares for gross proceeds of \$135,000,000. The Series E preferred shares were issued for cash and pay cumulative quarterly dividends at a rate of 8.25% per annum from their date of issuance. At any time on or after February 13, 2019, the Series E preferred shares may be redeemed by the Company, in whole or in part at a redemption price of \$25.00 per share plus unpaid dividends. The Series E preferred shares are not convertible into common shares and are not redeemable at the option of the holder.

8. Earnings per share (EPS):

The Company applies the if-converted method to determine the EPS impact for the convertible Series A preferred shares. The following is a reconciliation of the numerator and denominator used in the basic and diluted EPS computations.

Three months ended	Earnings (numerator)	Shares (denominator)	Per share amount
March 31, 2014			
Net earnings	\$ 18,028		
Less preferred share dividends:			
Series A	(3,395)		
Series C	(8,393)		
Series D	(2,426)		
Series E	(1,423)		
Basic EPS:			
Earnings attributable to common shareholders	\$ 2,391	85,844,000	\$ 0.03

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Effect of dilutive securities:	
Share-based compensation	96,000
Contingent consideration (note 11(d))	469,000

Diluted EPS:			
Earnings attributable to common shareholders	\$ 2,391	86,409,000	\$ 0.03

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Notes to Interim Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

(Unaudited)

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

8. Earnings per share (continued):

Three months ended	Earnings (numerator)	Shares (denominator)	Per share amount
March 31, 2013			
Net earnings	\$ 55,606		
Less preferred share dividends:			
Series A	(9,050)		
Series C	(8,620)		
Series D	(1,543)		
Basic EPS:			
Earnings attributable to common shareholders	\$ 36,393	63,767,000	\$ 0.57
Effect of dilutive securities:			
Share-based compensation		364,000	
Contingent consideration (note 11(d))		977,000	
Shares held in escrow		189,000	
Convertible Series A preferred shares	9,050	20,693,000	
Diluted EPS:			
Earnings attributable to common shareholders plus assumed conversion	\$ 45,443	85,990,000	\$ 0.53

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Notes to Interim Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

(Unaudited)

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

9. Share-based compensation:

A summary of the Company's outstanding restricted shares, phantom share units and stock appreciation rights (SARs) as of and for the period ended March 31, 2014 is presented below:

	Restricted shares		Phantom share units		Stock appreciation rights	
	Number of shares	W.A. grant date FV	Number of shares	W.A. grant date FV	Number of SARs	W.A. grant date FV
December 31, 2013	48,880	\$ 17.01	657,000	\$ 14.02	7,072,945	\$ 2.32
Granted	43,936	22.57				
Vested	(48,880)	17.01				
Exercised						
Cancelled						
March 31, 2014	43,936	22.57	657,000	14.02	7,072,945	\$ 2.32

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, 2014, 568,334 (December 31, 2013 - 460,000) of the outstanding phantom share units were vested and available for exchange by the holder. As at March 31, 2014, there are 720,912 (December 31, 2013 - 738,514) remaining shares left for issuance under this Plan.

During the three months ended March 31, 2014, the Company recognized \$459,000 (March 31, 2013 - \$599,000) in compensation cost related to restricted share units and phantom share units. The total fair value of restricted shares vested was \$831,000 (March 31, 2013 - \$902,000).

At March 31, 2014, there was \$3,320,000 (December 31, 2013 - \$6,472,000) of total unrecognized compensation costs relating to unvested share-based compensation awards and SARs, which are expected to be recognized over a

weighted average period of 16 months.

During the three months ended March 31, 2014, the Company recognized \$1,694,000 (March 31, 2013 - \$2,062,000) in share-based compensation related to SARs.

In addition, the Company recognized \$769,000 (March 31, 2013 - \$374,000) in transaction fees that were capitalized to vessels under construction and \$867,000 (March 31, 2013 - \$876,000) in arrangement fees that were expensed in 2013 as refinancing expenses and costs. These fees were paid in class A common shares. The Company also recognized \$150,000 (March 31, 2013 - \$150,000) in share-based compensation expenses related to other stock-based awards.

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Notes to Interim Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

(Unaudited)

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

10. Supplemental cash flow information:

Three months ended March 31,	2014	2013
Interest paid on debt	\$ 20,361	\$ 15,980
Interest received	81	787
Undrawn credit facility fee paid	981	281
Non-cash transactions:		
Long-term debt for vessels under construction	62,020	16,600
Dividend reinvestment	14,675	6,622
Loan repayment for vessels under construction	10,600	3,080
Dividends on Series A preferred shares	3,395	9,050
Arrangement and transaction fees	769	1,956
Fair value of financial instrument	50,278	

11. Commitments and contingencies:

- (a) As of March 31, 2014, the minimum future revenues to be received on committed time charter party agreements and interest income from sales-type capital leases are approximately:

Remainder of 2014	\$ 546,354
2015	776,457
2016	772,474
2017	711,708
2018	696,023
Thereafter	2,717,089
	\$ 6,220,105

The minimum future revenues are based on 100% utilization, relate to committed time charter party agreements currently in effect and assume no renewals or extensions.

- (b) As of March 31, 2014, based on the contractual delivery dates, the Company has outstanding commitments for installment payments for vessels under construction as follows:

Remainder of 2014	\$ 401,170
2015	959,159
2016	466,347
	\$ 1,826,676

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Notes to Interim Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

(Unaudited)

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

11. Commitments and contingencies (continued):

(c) As of March 31, 2014, the outstanding commitment under operating leases is as follows:

Remainder of 2014	\$ 5,478
2015	7,351
2016	7,135
2017	7,231
2018	6,906
Thereafter	17,459
	\$ 51,560

(d) At March 31, 2014, 39,081 contingent shares are issuable in April 2014. The contingent consideration arrangement requires the Company to pay the former owners of the Manager additional consideration of 39,081 of the Company's Class A common shares for each of certain containerships ordered or acquired by the Company, GCI or Blue Water Commerce, LLC after December 12, 2011 and prior to August 15, 2014 and which are to be managed by the Manager or the Company.

12. Concentrations:

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

Three months ended March 31,	2014	2013
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COSCON	\$ 74,657	\$ 74,597
CSCL Asia	31,454	34,597
K-Line	18,775	18,778
HL USA	14,580	14,580
MOL	14,084	10,722
Other	14,433	11,650
	\$ 167,983	\$ 164,924

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

(Unaudited)

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

13. 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, 2014, the fair value of the Company's long-term debt is \$2,772,874,000 (December 31, 2013 - \$2,897,650,000) and the carrying value is \$3,016,001,000 (December 31, 2013 - \$3,241,618,000). As of March 31, 2014, the fair value of the Company's other long-term liabilities is \$584,335,000 (December 31, 2013 - \$587,733,000) and the carrying value is \$601,359,000 (December 31, 2013 - \$611,603,000). The fair value of long-term debt and other long-term liabilities are estimated based on expected interest and principal repayments, discounted by forward rates plus a margin appropriate to the credit risk of the Company. Therefore, the Company has categorized the fair value of these derivative 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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Notes to Interim Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

(Unaudited)

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

13. Financial instruments (continued):

(b) Interest rate derivative financial instruments:

As of March 31, 2014, the Company had the following outstanding interest rate derivatives:

Fixed per annum rate swapped for LIBOR	Notional amount as of March 31, 2014	Maximum notional amount ⁽¹⁾	Effective date	Ending date
5.6400%	\$ 714,500	\$ 714,500	August 31, 2007	August 31, 2017 ⁽²⁾
5.4200%	438,462	438,462	September 6, 2007	May 31, 2024
5.9450%	281,970	281,970	January 30, 2014	May 31, 2019 ⁽³⁾
5.6000%	188,000	188,000	June 23, 2010	December 23, 2021 ⁽²⁾
5.0275%	111,000	111,000	May 31, 2007	September 30, 2015
5.5950%	106,800	106,800	August 28, 2009	August 28, 2020
5.2600%	106,800	106,800	July 3, 2006	February 26, 2021 ^{(2) (4)}
5.2000%	84,480	84,480	December 18, 2006	October 2, 2015
5.4975%	54,900	54,900	July 31, 2012	July 31, 2019
5.1700%	24,000	24,000	April 30, 2007	May 29, 2020
5.8700%		620,390	August 31, 2017	November 28, 2025

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

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

(3)

On January 30, 2014, the Company terminated its swap with an effective date of July 16, 2012 and a pay fixed rate of 5.175% and entered into a new swap with an effective date of January 30, 2014 and a pay fixed rate of 5.945%. The early termination of the swap resulted in a loss of \$4,492,000.

- (4) The Company has entered into a swaption agreement with a bank (Swaption Counterparty A) whereby Swaption Counterparty A has the option to require the Company to enter into an interest rate swap to pay LIBOR and receive a fixed rate of 5.26%. This is a European option and is open for a two hour period on February 26, 2014 after which it expires. The notional amount of the underlying swap is \$106,800,000 with an effective date of February 28, 2014 and an expiration date of February 26, 2021. If Swaption Counterparty A exercises the swaption, the underlying swap effectively will offset the Company's 5.26% pay fixed LIBOR swap from February 28, 2014 to February 26, 2021. This option was not exercised by Swaption Counterparty A.

In addition, the Company has entered into swaption agreements with a bank (Swaption Counterparty B) whereby Swaption Counterparty B has the option to require the Company to enter into interest rate swaps, by February 28, 2017, to pay LIBOR and receive a fixed rate of 1.183% and to pay 0.5% and receive LIBOR, respectively. The notional amounts of the underlying swaps are each \$200,000,000 with an effective date of March 2, 2017 and an expiration date of March 2, 2027.

The swaption agreements with Swaption Counterparty B are subject to a master netting agreement but are each recorded at the gross amount on the balance sheet. At March 31, 2014, these swaptions had asset and liability values of \$53,180,000 and \$42,181,000, respectively (December 31, 2013 - asset of \$60,181,000 and liability of \$49,534,000).

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Notes to Interim Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

(Unaudited)

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

13. Financial instruments (continued):

(b) Interest rate derivative financial instruments (continued):

The following provides information about the Company's interest rate derivatives:

Fair value of asset and liability derivatives:

	March 31, 2014	December 31, 2013
Fair value of financial instruments asset	\$ 53,202	\$ 60,188
Fair value of financial instruments liability	426,745	425,375

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

Three months ended March 31,	2014	2013
Loss on derivatives recognized in net earnings:		
Change in fair value of financial instruments	\$ (36,343)	\$ (2,666)
Loss reclassified from AOCL to net earnings ⁽¹⁾ :		
Interest expense	(1,192)	(1,579)
Depreciation and amortization	(213)	(223)

(1)

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

The estimated amount of AOCL expected to be reclassified to net earnings within the next twelve months is approximately \$4,483,000.

(c) Foreign exchange derivative instruments:

The Company is exposed to market risk from foreign currency fluctuations. The Company has entered into foreign currency forward contracts to manage foreign currency fluctuations. At March 31, 2014, the notional amount of the foreign exchange forward contracts is \$12,400,000 (December 31, 2013 - \$12,200,000) and the fair value liability is \$468,000 (December 31, 2013 - \$286,000).

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SEASPAN CORPORATION

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For the three months ended March 31, 2014 and 2013

(Unaudited)

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

14. Subsequent events:

- (a) On April 3, 2014, the Company issued 13,800,000 senior unsecured notes at a price of \$25.00 per note for gross proceeds of \$345,000,000. These proceeds include \$45,000,000 from the exercise of the underwriters option to purchase additional notes. The Company used a portion of the net proceeds to repay its \$125,000,000 credit facility and the remaining net proceeds from the offering will be used for general corporate purposes, which may include funding vessel acquisitions and repayment of indebtedness under other outstanding credit facilities.
- (b) On April 9, 2014, the Company declared quarterly dividends of \$0.59375, \$0.496875 and \$0.441146 per Series C, Series D and Series E preferred share, respectively, representing a total distribution of \$13,033,000. The dividends were paid on April 30, 2014 to all shareholders of record on April 29, 2014.
- (c) On April 9, 2014, the Company declared a quarterly dividend of \$0.345 per common share. The dividend was paid on April 30, 2014 to all shareholders of record as of April 21, 2014.

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ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a leading independent charter owner and manager of containerships, which we charter primarily pursuant to long-term, fixed-rate time charters with major container liner companies. As of March 31, 2014, we operated a fleet of 72 containerships and have entered into contracts for the purchase of an additional 17 newbuilding containerships, which have scheduled delivery dates through May 2016. Of our 17 newbuilding containerships, 15 will commence operation under long-term, fixed-rate charters upon delivery. We expect to enter into long-term charter contracts for the remaining newbuilding containerships in the near future. The average age of the 72 vessels in our operating fleet was approximately seven years as of March 31, 2014.

We primarily deploy our vessels on long-term, fixed-rate time charters to take advantage of the stable cash flow and high utilization rates that are typically associated with long-term time charters. As of March 31, 2014, the charters on the 72 vessels in our operating fleet had an average remaining term of approximately five years, excluding the effect of charterers' options to extend certain time charters.

Customers for our operating fleet as at March 31, 2014 were as follows:

Current Fleet

COSCON
CSAV
CSCCL Asia
HL USA
Hanjin
Hapag-Lloyd
K-Line
MSC
MOL

Additional 15 Vessel Deliveries

**That Are Subject to Charter
Contracts**

Hanjin

MOL

Yang Ming Marine

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

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Significant Developments

Vessel Delivery

On March 20, 2014, we accepted delivery of one 10000 TEU newbuilding containership, the Hanjin Buddha, bringing our operating fleet to a total of 72 vessels as of March 31, 2014. The Hanjin Buddha, which is the first vessel in our operating fleet constructed by New Jiangsu using our fuel-efficient SAVER design, commenced a ten-year, fixed-rate time charter with Hanjin on March 25, 2014. The Hanjin Buddha is the first of a total of three vessels that we expect to be chartered to Hanjin.

Time Charters

In February 2014, we signed long-term, fixed-rate time charter contracts with MOL for six fuel-efficient SAVER design 10000 TEU vessels to be constructed at New Jiangsu and Jiangsu Xinfu. The six previously announced newbuilding 10000 TEU vessels to be constructed at New Jiangsu and Jiangsu Xinfu will be used for these MOL time charters. Pursuant to our right of first refusal with Greater China Intermodal Investments, or GCI, we retained three of the 10000 TEU newbuilding containerships. The remaining three vessels remain subject to allocation under a right of first refusal agreement with GCI and Blue Water Commerce, LLC, or Blue Water.

Newbuilding Contracts and Time Charters

On March 31, 2014, we exercised options for the construction of four 10000 TEU newbuilding containerships at New Jiangsu or Jiangsu Xinfu. These vessels are scheduled for delivery through 2016 and will be constructed using our fuel-efficient SAVER design. Pursuant to our right of first refusal with GCI, we retained two of the 10000 TEU newbuilding containerships. The remaining two vessels remain subject to allocation under the right of first refusal agreement with GCI and Blue Water. We expect to sign long-term time charters for these vessels with one of the major container liner companies in the near future, although there is no assurance that we will be able to do so on acceptable terms, if at all.

Vessel Re-delivery

In the first quarter of 2014, the Madinah was re-delivered to us. In April 2014, the Madinah commenced a short-term time-charter for a minimum term of 80 days.

Issuance of Series E Preferred Shares

On February 13, 2014, we issued in a registered public offering 5,400,000 Series E preferred shares at a price of \$25.00 per share for total net proceeds of approximately \$130.4 million. Dividends are payable on the Series E preferred shares at a rate of 8.25% per annum of the stated liquidation preference of \$25.00 per share. We intend to use the net proceeds for general corporate purposes, which may include funding vessel acquisitions.

Refinancing of \$1.0 Billion Credit Facility

On December 23, 2013, we entered into an agreement to extend and refinance our \$1.0 billion credit facility, or the Facility. Under the terms of the amended Facility, which became effective on January 31, 2014, the maturity date was extended from May 2015 to May 2019, and the outstanding amount of the Facility was reduced to \$433.8 million and now bears interest at market rates. In January 2014, we funded this reduction in principal by drawing \$340.0 million under existing credit facilities, one of which is secured by certain vessels that were pledged as collateral under the

Facility, and approximately \$260.0 million of cash on hand.

Conversion of Series A Preferred Shares and Resignation and Appointment of Directors

On January 30, 2014, our then outstanding 200,000 outstanding Series A preferred shares automatically converted into a total of 23,177,175 Class A common shares pursuant to the rights and restrictions attached to our Series A preferred shares. The Series A preferred shares automatically converted to Class A common shares at a price of \$15.00 per share since the 30 day average trading price of the common shares was equal to or above \$15.00. Based on the closing price of our Class A common shares on January 30, 2014, the issuance of these additional Class A common shares increased our market capitalization by approximately \$500.0 million, for an aggregate Class A common share market capitalization of over \$2.0 billion at January 31, 2014.

