

Seaspan CORP  
Form 6-K  
July 30, 2014

**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 June 30, 2014**

**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

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

**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, 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-3 ASR (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).

**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 30, 2014

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

(Principal Financial and Accounting Officer)

## SEASPAN CORPORATION

## REPORT ON FORM 6-K FOR THE QUARTER ENDED JUNE 30, 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	Reference
CSBC Corporation, Taiwan	CSBC
Hyundai Heavy Industries Co., Ltd.	HHI
Jiangsu New Yangzi Shipbuilding Co., Ltd.	New Jiangsu
Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd.	Jiangsu Xinfu

References to customers are as follows:

<b>Customer</b>	<b>Reference</b>
China Shipping Container Lines (Asia) Co., Ltd. <sup>(1)</sup>	CSCL Asia
Compañía Sud Americana De Vapores S.A.	CSAV
COSCO Container Lines Co., Ltd. <sup>(2)</sup>	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 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 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.

## 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)

	June 30, 2014	December 31, 2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 285,951	\$ 476,380
Short-term investments	83,188	11,675
Accounts receivable	21,181	14,149
Loans to affiliate (note 2)	172,708	54,068
Prepaid expenses	33,863	22,671
Gross investment in lease	21,170	21,170
	618,061	600,113
Vessels (note 3)	5,174,006	4,992,271
Deferred charges (note 4)	58,025	53,971
Gross investment in lease	48,455	58,953
Goodwill	75,321	75,321
Other assets	99,359	106,944
Fair value of financial instruments (note 13(b))	48,882	60,188
	\$ 6,122,109	\$ 5,947,761
<b>Liabilities and Shareholders Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 63,664	\$ 65,634
Current portion of deferred revenue (note 5)	24,615	27,683
Current portion of long-term debt (note 6)	170,201	388,159
Current portion of other long-term liabilities	40,101	38,930
	298,581	520,406
Deferred revenue (note 5)	5,800	4,143
Long-term debt (note 6)	3,137,709	2,853,459

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Other long-term liabilities	550,875	572,673
Fair value of financial instruments (note 13(b))	427,252	425,375
Shareholders' equity:		
Share capital (note 7):		
Preferred shares; \$0.01 par value; 150,000,000 shares authorized (2013 65,000,000); 24,170,531 shares issued and outstanding (2013 18,970,531)		
Class A common shares; \$0.01 par value; 200,000,000 shares authorized (2013 200,000,000); 94,560,868 shares issued and outstanding (2013 69,208,888)	1,188	882
Treasury shares	(379)	(379)
Additional paid in capital	2,198,122	2,023,622
Deficit	(459,154)	(411,792)
Accumulated other comprehensive loss	(37,885)	(40,628)
	1,701,892	1,571,705
	\$ 6,122,109	\$ 5,947,761

Commitments and contingencies (note 11)

Subsequent events (note 14)

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 June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Revenue	\$ 173,873	\$ 167,786	\$ 341,856	\$ 332,710
Operating expenses:				
Ship operating	41,087	37,344	82,339	74,890
Depreciation and amortization	44,603	42,840	88,335	85,593
General and administrative	7,481	11,833	15,524	19,624
Operating lease	1,109	1,097	2,212	2,183
	94,280	93,114	188,410	182,290
Operating earnings	79,593	74,672	153,446	150,420
Other expenses (income):				
Interest expense	23,007	15,275	40,568	30,759
Interest income	(2,683)	(600)	(3,789)	(787)
Undrawn credit facility fee	672	748	1,238	1,145
Amortization of deferred charges (note 4)	2,462	2,266	4,465	4,376
Refinancing expenses and costs (note 4)	2,824		2,824	
Change in fair value of financial instruments (note 13(b))	32,960	(71,193)	69,303	(68,527)
Equity loss on investment	43	35	275	69
Other expenses	304	987	530	625
	59,589	(52,482)	115,414	(32,340)
Net earnings	\$ 20,004	\$ 127,154	\$ 38,032	\$ 182,760
Earnings per share (note 8):				
Class A common share, basic	\$ 0.07	\$ 1.67	\$ 0.10	\$ 2.24
Class A common share, diluted	0.07	1.35	0.10	1.88

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 June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Net earnings	\$ 20,004	\$ 127,154	\$ 38,032	\$ 182,760
Other comprehensive income:				
Amounts reclassified to net earnings during the period relating to cash flow hedging instruments	1,338	1,603	2,743	3,405
Comprehensive income	\$ 21,342	\$ 128,757	\$ 40,775	\$ 186,165

See accompanying notes to interim consolidated financial statements.



ed												
nt												
d ion ote												
class n												
share stock on ed	79,088								14,004			
d ion th	206,200				2				4,740			
	820,697				8				(8)			
d,												
			(334,469)			(3)			(8,287)		(660)	
shares	(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)	\$ 1	

See accompanying notes to interim consolidated financial statements.

**SEASPAN CORPORATION**

Interim Consolidated Statements of Shareholders' Equity (Continued)

(Unaudited)

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

Six months ended June 30, 2014 and year ended December 31, 2013

Number of common shares	Number of preferred shares	Number of preferred shares	Number of preferred shares	Number of preferred shares	Common	Preferred	Treasury	Additional	Accumulated	
Class A	Series A	Series C	Series D	Series E	shares	shares	shares	paid-in capital	other comprehensive loss	
69,208,888	200,000	13,665,531	5,105,000		\$ 692	\$ 190	\$(379)	\$ 2,023,622	\$(411,792)	\$(40,628)
									38,032	
										2,743
) 23,177,175	(200,000)				232	(2)		(230)		
) 206,600					2			4,731		
				5,400,000		54		134,946		
								(4,905)		
									(61,256)	
									(23,573)	

								565	(565)
1,453,747				15				31,109	
43,936				1				4,808	
158,515				1				3,479	
312,644				3				(3)	
(637)									
94,560,868	13,665,531	5,105,000	5,400,000	\$ 946	\$ 242	\$ (379)	\$ 2,198,122	\$ (459,154)	\$ (37,885)

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 June 30,		Six months ended June 30,	
	2014	2013	2014	2013
<b>Cash from (used in):</b>				
<b>Operating activities:</b>				
Net earnings	\$ 20,004	\$ 127,154	\$ 38,032	\$ 182,760
Items not involving cash:				
Depreciation and amortization	44,603	42,840	88,335	85,593
Share-based compensation (note 9)	2,806	6,630	5,109	9,441
Amortization of deferred charges (note 4)	2,462	2,266	4,465	4,376
Amounts reclassified from other comprehensive loss to interest expense	1,123	1,384	2,315	2,963
Unrealized change in fair value of financial instruments	4,751	(102,988)	7,672	(131,857)
Refinancing expenses and costs (note 4)	2,356		2,356	
Equity loss on investment	43	35	275	69
Other	2,929		3,195	
<b>Changes in assets and liabilities:</b>				
Accounts receivable and gross investment in lease	(2,765)	4,490	3,466	5,343
Prepaid expenses	4,688	(2,665)	2,953	(6,242)
Other assets and deferred charges	(4,136)	(951)	(3,627)	(953)
Accounts payable and accrued liabilities	3,552	3,170	5,565	497
Deferred revenue	341	(1,324)	(1,411)	(15,641)
Other long-term liabilities	(27)	(40)	(857)	(505)
<b>Cash from operating activities</b>	<b>82,730</b>	<b>80,001</b>	<b>157,843</b>	<b>135,844</b>
<b>Financing activities:</b>				
Common shares issued, net of issuance costs (note 7)	4,427		4,427	
Senior unsecured notes issued (note 6)	345,000		345,000	
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)	(152,491)	(12,219)	(780,128)	(33,226)
Repayment of other long-term liabilities	(10,383)	(9,787)	(20,627)	(19,860)
Financing fees (note 4)	(8,453)	(2,903)	(8,978)	(14,780)
Dividends on common shares	(15,814)	(11,266)	(30,132)	(20,438)
Dividends on preferred shares	(13,033)	(9,857)	(23,573)	(18,976)
<b>Cash from (used in) financing activities</b>	<b>149,253</b>	<b>(46,032)</b>	<b>(43,610)</b>	<b>(98,280)</b>

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Investing activities:

Expenditures for vessels	(23,667)	(33,065)	(103,248)	(92,294)
Short-term investments	(81,436)	(15,323)	(71,513)	(45,596)
Restricted cash		(500)		(1,900)
Loans to affiliate (note 2)	(125,976)	21,560	(126,973)	
Other assets	(2,303)	(24,595)	(2,928)	(23,477)
Investment in affiliate				(1,111)
Cash used in investing activities	(233,382)	(51,923)	(304,662)	(164,378)
Decrease in cash and cash equivalents	(1,399)	(17,954)	(190,429)	(126,814)
Cash and cash equivalents, beginning of period	287,350	272,518	476,380	381,378
Cash and cash equivalents, end of period	\$ 285,951	\$ 254,564	\$ 285,951	\$ 254,564

Supplemental cash flow information (note 10)

See accompanying notes to interim consolidated financial statements.

**SEASPAN CORPORATION**

## Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 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.

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

**2. Related party transactions:**

The Company incurred the following costs with related parties:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Arrangement fees	\$ 732	\$ 1,512	\$ 732	\$ 4,564
Transaction fees	2,829	653	4,367	1,513
Reimbursed expenses	59	18	118	36

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

At June 30, 2014, the Company had \$147,487,000 (December 31, 2013 \$54,068,000) due from its equity investee, Greater China Intermodal Investments LLC ( GCI ), in connection with vessels that GCI will acquire pursuant to a right of first refusal which bears interest at 5% or 6% per annum. On May 16, 2014, GCI issued a promissory note to the Company for \$25,000,000 which bears interest at 7% per annum and matures on August 16, 2014. As at June 30, 2014, the interest receivable on the promissory note is \$221,000. These amounts are recorded as Loans to affiliate.

The Company also had \$6,122,000 (December 31, 2013 \$3,699,000) due from related parties included in accounts receivable and \$4,975,000 (December 31, 2013 \$611,000) due to related parties included in accounts payable and



accrued liabilities.

**SEASPAN CORPORATION**

## Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited)

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

**3. Vessels:**

June 30, 2014	Cost	Accumulated depreciation	Net book value
Vessels	\$ 5,702,710	\$ 806,138	\$ 4,896,572
Vessels under construction	277,434		277,434
<b>Vessels</b>	<b>\$ 5,980,144</b>	<b>\$ 806,138</b>	<b>\$ 5,174,006</b>
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
<b>Vessels</b>	<b>\$ 5,713,085</b>	<b>\$ 720,814</b>	<b>\$ 4,992,271</b>

Included in vessels under construction is capitalized interest costs of \$3,687,000 (June 30, 2013 \$2,644,000).

**4. Deferred charges:**

	Dry-docking	Financing fees	Total
December 31, 2013	\$ 12,247	\$ 41,724	\$ 53,971
Cost incurred	4,594	9,179	13,773
Amortization expensed	(2,319)	(4,465)	(6,784)
Amortization capitalized		(579)	(579)
Refinancing expenses and costs		(2,356)	(2,356)
June 30, 2014	\$ 14,522	\$ 43,503	\$ 58,025

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On April 3, 2014, the Company issued senior unsecured notes for gross proceeds of \$345,000,000. A portion of these proceeds was used to repay its \$125,000,000 credit facility. As a result, the Company incurred refinancing expenses and costs of approximately \$2,824,000.

**SEASPAN CORPORATION**

## Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited)

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

**5. Deferred revenue:**

	June 30, 2014	December 31, 2013
Deferred revenue on time charters	\$ 19,177	\$ 21,099
Deferred interest on lease receivable	5,892	7,903
Other deferred revenue	5,346	2,824
Deferred revenue	30,415	31,826
Current portion	(24,615)	(27,683)
Deferred revenue	\$ 5,800	\$ 4,143

**6. Long-term debt:**

	June 30, 2014	December 31, 2013
<b>Long-term debt:</b>		
Revolving credit facilities	\$ 1,225,996	\$ 2,268,841
Term loan credit facilities	1,736,914	972,777
Senior unsecured notes	345,000	
Long-term debt	3,307,910	3,241,618
Current portion	(170,201)	(388,159)
Long-term debt	\$ 3,137,709	\$ 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.

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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.

On April 3, 2014, the Company issued 13,800,000 senior unsecured notes (the Notes ) at a price of \$25.00 per note for gross proceeds of \$345,000,000. 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. The Notes will mature on April 30, 2019 and bear interest at a rate of 6.375% per year, payable quarterly on each January 30, April 30, July 30 and October 30.

**SEASPAN CORPORATION**

## Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited)

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

**6. Long-term debt (continued):**

On May 1, 2014, the Company entered into a 364-day unsecured, revolving loan facility with various banks for up to \$100,000,000 to be used to fund vessels under construction and for general corporate purposes. The facility bears interest at LIBOR plus a margin. At June 30, 2014, no amounts have been drawn under this facility.

On June 30, 2014, the Company entered into a term loan facility with a European bank for up to \$83,000,000 to fund the construction of one 14000 TEU vessel. The facility bears interest at LIBOR plus a margin. At June 30, 2014, no amounts have been drawn under this facility.

**7. Share capital:**

Preferred shares:

As at June 30, 2014, the Company had the following preferred shares outstanding:

Series	Shares		Liquidation preference	
	Authorized	Issued	June 30, 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.

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.

**SEASPAN CORPORATION**

## Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 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 May 22, 2014, the Company announced that it had entered into an equity distribution agreement with sales agents under which the Company may, from time to time, issue Class A common shares in one or more at-the-market ( ATM ) offerings up to an aggregate of \$75,000,000 in gross sales proceeds. Sales of such Class A common shares will be made by means of ordinary brokers transactions on the New York Stock Exchange at market prices, in block transactions, or as otherwise agreed between the Company and the sales agents. During the three and six months ended June 30, 2014, the Company issued 206,600 Class A common shares under the ATM program for gross proceeds of \$4,733,000.

**8. Earnings per share ( EPS ):**

The Company applies the if-converted method to determine the EPS impact for the convertible Series A preferred shares for those periods prior to the conversion of the Series A preferred shares on January 30, 2014. The following is a reconciliation of the numerator and denominator used in the basic and diluted EPS computations.

	Three months ended June 30, 2014			Three months ended June 30, 2013		
	Earnings (numerator)	Shares (denominator)	Per share amount	Earnings (numerator)	Shares (denominator)	Per share amount
Net earnings	\$ 20,004			\$ 127,154		
Less preferred share dividends:						
Series A				(9,423)		
Series C	(8,400)			(8,631)		
Series D	(2,537)			(1,545)		
Series E	(2,784)					
<b>Basic EPS:</b>						
Earnings attributable to common shareholders	\$ 6,283	94,791,000	\$ 0.07	\$ 107,555	64,487,000	\$ 1.67
<b>Effect of dilutive securities:</b>						
Share-based compensation		210,000			399,000	
Contingent consideration (note 11(d))					508,000	



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Convertible Series A preferred shares				9,423	21,309,000		
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Diluted EPS:

Earnings attributable to common shareholders plus assumed conversion	\$ 6,283	95,001,000	\$ 0.07	\$ 116,978	86,703,000	\$ 1.35	
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**SEASPAN CORPORATION**

## Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 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):**

	Six months ended June 30, 2014			Six months ended June 30, 2013		
	Earnings (numerator)	Shares (denominator)	Per share amount	Earnings (numerator)	Shares (denominator)	Per share amount
Net earnings	\$ 38,032			\$ 182,760		
Less preferred share dividends:						
Series A	(3,395)			(18,473)		
Series C	(16,793)			(17,251)		
Series D	(4,963)			(3,088)		
Series E	(4,207)					
<b>Basic EPS:</b>						
Earnings attributable to common shareholders	\$ 8,674	90,342,000	\$ 0.10	\$ 143,948	64,129,000	\$ 2.24
<b>Effect of dilutive securities:</b>						
Share-based compensation		153,000			382,000	
Contingent consideration (note 11(d))		234,000			743,000	
Convertible Series A preferred shares				18,473	21,001,000	
Shares held in escrow					95,000	
<b>Diluted EPS:</b>						
Earnings attributable to common shareholders plus assumed conversion	\$ 8,674	90,729,000	\$ 0.10	\$ 162,421	86,350,000	\$ 1.88

**SEASPAN CORPORATION**

## Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 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, stock appreciation rights ( SARs ), and restricted stock units as of and for the six months ended June 30, 2014 is presented below:

	Restricted shares		Phantom share units		Stock appreciation rights		Restricted stock units	
	Number of shares	W.A. grant date FV	Number of shares	W.A. grant date FV	Number of SARs	W.A. grant date FV	Number of units	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	70,000	23.04			72,314	23.03
Vested	(48,880)	17.01					(37,238)	23.03
Exercised					(618,523)	3.65		
June 30, 2014	43,936	\$ 22.57	727,000	\$ 14.89	6,454,422	\$ 2.19	35,076	\$ 23.03

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 June 30, 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 June 30, 2014, there are 650,912 (December 31, 2013 764,848) remaining shares left for issuance under this Plan.

On June 12, 2014, under the Company's Cash and Share Bonus Plan, the Company granted a total of 72,314 restricted stock units to eligible participants, of which 39,399 restricted stock units relate to 2012 and 32,915 restricted stock units relate to 2013. The restricted stock units generally vest over three years, in equal one-third amounts on each anniversary date of the date of the grant. The restricted stock units are valued at the market price of the underlying securities on the grant date and the compensation expense, based on the estimated number of awards expected to vest, is recognized over the three-year vesting period. Upon vesting of the restricted stock units, the participant will receive shares issued from treasury.

During the three and six months ended June 30, 2014, the Company recognized \$2,656,000 and \$4,809,000 (June 30, 2013 \$6,481,000 and \$9,142,000) in compensation costs related to share-based compensation awards. At June 30, 2014, there was \$5,875,000 (December 31, 2013 \$6,472,000) of total unrecognized compensation cost relating to unvested share-based compensation awards, which are expected to be recognized over a weighted average of period of 19 months.



**SEASPAN CORPORATION**

## Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

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

**9. Share-based compensation (continued):**

In addition during the three and six months ended June 30, 2014, the Company recognized \$1,415,000 and \$2,184,000 (June 30, 2013 \$382,000 and \$756,000) in transaction fees that were capitalized to vessels under construction and \$366,000 and \$366,000 (June 30, 2013 \$732,000 and \$1,571,000) in arrangement fees that were capitalized to deferred financing fees. These fees were paid or payable in class A common shares. The Company also recognized \$150,000 and \$300,000 (June 30, 2013 \$150,000 and \$300,000) in share-based compensation expenses related to the accrued portion of performance based bonuses that are expected to be settled in stock-based awards in future periods.

**10. Supplemental cash flow information:**

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Interest paid	\$ 17,966	\$ 14,313	\$ 38,327	\$ 30,293
Interest received	204	605	285	1,392
Undrawn credit facility fee paid	573	225	1,554	506
Non-cash transactions:				
Dividends on Series A preferred shares		9,423	3,395	18,473
Dividend reinvestment	16,449	8,726	31,124	15,348
Long-term debt for vessels under construction	99,400	10,040	161,420	26,640
Loan repayment for vessels under construction	19,080		29,680	3,080
Arrangement and transaction fees	2,112	1,083	2,881	3,039
Fair value of financial instrument			50,278	
Settlement of accounts receivable through equity investment in affiliate	8,333		8,333	

**SEASPAN CORPORATION**

## Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited)

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

**11. Commitments and contingencies:**

- (a) As of June 30, 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	\$ 372,550
2015	776,457
2016	772,474
2017	711,708
2018	696,023
Thereafter	2,717,863
	<b>\$ 6,047,075</b>

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 June 30, 2014, based on the contractual delivery dates, the Company has outstanding commitments for installment payments for vessels under construction as follows:

Remainder of 2014	\$ 171,520
2015	814,829
2016	243,696
	<b>\$ 1,230,045</b>

- (c) As of June 30, 2014, the outstanding commitment under operating leases is as follows:

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Remainder of 2014	\$ 3,689
2015	7,389
2016	7,192
2017	7,269
2018	6,931
Thereafter	17,458
	\$ 49,928

- (d) At June 30, 2014, 156,324 contingent shares are issuable in July 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.

**SEASPAN CORPORATION**

## Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited)

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

**12. Concentrations:**

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
COSCON	\$ 75,485	\$ 74,671	\$ 150,142	\$ 149,268
CSCL Asia	31,861	34,645	63,315	69,242
K-Line	18,983	18,984	37,758	37,762
HL USA	14,727	14,739	29,307	29,319
Other	32,817	24,747	61,334	47,119
	\$ 173,873	\$ 167,786	\$ 341,856	\$ 332,710



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**SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

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(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, loans to affiliate and accounts payable and accrued liabilities approximate their fair values because of their short term to maturity. As of June 30, 2014, the fair value of the Company's long-term debt is \$3,067,639,000 (December 31, 2013 \$2,897,650,000) and the carrying value is \$3,307,910,000 (December 31, 2013 \$3,241,618,000). As of June 30, 2014, the fair value of the Company's other long-term liabilities is \$577,889,000 (December 31, 2013 \$587,733,000) and the carrying value is \$590,977,000 (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 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.

**SEASPAN CORPORATION**

## Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 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 June 30, 2014, the Company had the following outstanding interest rate derivatives:

Fixed per annum rate swapped for LIBOR	Notional amount as of June 30, 2014	Maximum notional amount <sup>(1)</sup>	Effective date	Ending date
5.6400%	\$ 714,500	\$ 714,500	August 31, 2007	August 31, 2017 <sup>(2)</sup>
5.4200%	438,462	438,462	September 6, 2007	May 31, 2024
5.9450%	276,978	276,978	January 30, 2014	May 31, 2019 <sup>(3)</sup>
5.6000%	181,600	181,600	June 23, 2010	December 23, 2021 <sup>(2)</sup>
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 <sup>(2)</sup> <sup>(4)</sup>
5.2000%	82,560	82,560	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 entered into a swaption agreement with a bank (Swaption Counterparty A) whereby Swaption Counterparty A had 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 was an European option and was open for a two hour period on February 26, 2014 after which it expired. The notional amount of the underlying swap was \$106,800,000 with an effective date of February 28, 2014 and an expiration date of February 26, 2021. If Swaption Counterparty A exercised the swaption, the underlying swap would effectively 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 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 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 June 30, 2014, these swaptions had asset and liability values of \$48,674,000 and \$37,541,000, respectively (December 31, 2013 - asset of \$60,181,000 and liability of \$49,534,000).

**SEASPAN CORPORATION**

## Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 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:

	June 30, 2014	December 31, 2013
Fair value of financial instruments asset	\$ 48,882	\$ 60,188
Fair value of financial instruments liability	427,252	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 June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Gain/(Loss) on derivatives recognized in net earnings:				
Change in fair value of financial instruments	\$ (32,960)	\$ 71,193	\$ (69,303)	\$ 68,527
Loss reclassified from AOCL to net earnings <sup>(1)</sup>				
Interest expense	(1,123)	(1,384)	(2,315)	(2,963)
Depreciation and amortization	(215)	(219)	(428)	(442)

- (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 \$4,367,000.

(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 June 30, 2014, the notional amount of the foreign exchange forward contracts is \$13,000,000 (December 31, 2013 \$12,200,000) and the fair value asset is \$97,000 (December 31, 2013 \$286,000).

**SEASPAN CORPORATION**

Notes to Interim Consolidated Financial Statements

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**14. Subsequent events:**

- (a) On July 11, 2014, the Company entered into lease financing agreements with Asian special purpose companies for two 10000 TEU vessels which are expected to provide gross proceeds of approximately \$220,000,000 in total.
- (b) On July 15, 2014, the Company declared quarterly dividends of \$0.59375, \$0.496875 and \$0.515625 per Series C, Series D and Series E preferred share, respectively, representing a total distribution of \$13,435,000. The dividends were paid on July 30, 2014 to all shareholders of record on July 29, 2014.
- (c) On July 15, 2014, the Company declared a quarterly dividend of \$0.345 per common share. The dividend was paid on July 30, 2014 to all shareholders of record as of July 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 June 30, 2014, we operated a fleet of 74 containerships and have entered into contracts for the purchase of an additional 15 newbuilding containerships, which have scheduled delivery dates through May 2016. Of our 15 newbuilding containerships, 13 will commence operation under long-term, fixed-rate charters upon delivery. We expect to enter into long-term time charter contracts for the remaining newbuilding containerships in the near future. The average age of the 74 vessels in our operating fleet was approximately seven years as of June 30, 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 June 30, 2014, the charters on the 74 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 June 30, 2014 were as follows:

**Current Fleet**

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

**Additional 13 Vessel Deliveries**

**That Are Subject to Charter Contracts**

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.

## Significant Developments

### *Vessel Deliveries*

During the six months ended June 30, 2014, we accepted delivery of three newbuilding containerships, bringing our operating fleet to a total of 74 vessels as of June 30, 2014. These three vessels are the first vessels in our operating fleet constructed by New Jiangsu and Jiangsu Xinfu using our fuel-efficient SAVER design. The vessel deliveries are summarized below:

Vessel	Vessel Class (TEU)	Length of Time Charter	Charterer	Delivery Date
Hanjin Buddha	10000	10 years + one 2-year option	Hanjin	March 2014
Hanjin Namu	10000	10 years + one 2-year option	Hanjin	May 2014
Hanjin Tabul	10000	10 years + one 2-year option	Hanjin	June 2014

### *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 agreement with Greater China Intermodal Investments, or GCI, we retained three of the 10000 TEU newbuilding containerships and GCI will acquire the remaining three vessels.

### *Newbuilding Contracts*

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 and GCI will acquire the remaining two vessels.

### *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.

### *At-the-Market Offering of Class A Common Shares*

On May 22, 2014, we announced that we had entered into an equity distribution agreement with sales agents under which we may, from time to time, issue Class A common shares in one or more at-the-market, or ATM, offerings up to an aggregate of \$75.0 million in gross sales proceeds. Sales of such Class A common shares will be made by means of ordinary brokers transactions on the New York Stock Exchange at market prices in block transactions, or as otherwise agreed between us and the sales agents. During the three months ended June 30, 2014, we issued 206,600 Class A common shares under the ATM program for gross proceeds of approximately \$4.7 million.





*Issuance of \$345.0 Million 6.375% Senior Unsecured Notes Due 2019*

On April 3, 2014, we issued in a registered public offering \$345.0 million of senior unsecured notes or the Notes, including the exercise in full of the underwriters' option to purchase an additional \$45.0 million of Notes. The Notes mature on April 30, 2019 and bear interest at a rate of 6.375% per year, payable quarterly. We used a portion of the net proceeds to repay our \$125.0 million unsecured credit facility.

*Loan Facility Transactions*

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.

On May 1, 2014, we entered into a 364-day unsecured, revolving loan facility with various banks for up to \$100.0 million to be used to fund vessels under construction and for general corporate purposes. The facility bears interest at market rates.

On June 30, 2014, we entered into a five-year term loan facility with a European bank for up to \$83.0 million to fund the construction of one of our 14000 TEU newbuilding containerships. The facility bears interest at market rates.

*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.

Prior to conversion, the holders of our Series A preferred shares had the right to appoint up to two directors to our board of directors. The Series A preferred shareholders appointed George H. Juetten to the board of directors and he has served as a director since July 2009 and as chair of the audit committee since September 2009. Upon conversion of the Series A preferred shares and termination of the right of the Series A preferred shareholders to appoint Mr. Juetten to our board of directors, (a) David Lyall resigned as a Class I director, (b) the board of directors was expanded to nine members, (c) Mr. Lyall became a Class III director to fill the vacancy arising from the expansion of the board of directors and served as a director until the 2014 annual meeting of shareholders and (d) Mr. Juetten became a Class I director to fill the vacancy arising from Mr. Lyall's resignation as a Class I director and will serve as a director until the 2015 annual meeting of shareholders.

*Results of Special Meeting of Shareholders*

We held a special meeting of shareholders on January 28, 2014 to vote on separate proposals to amend our articles of incorporation to (a) increase the number of our 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 and (b) declassify the board of directors and provide for the annual election of all directors. The proposal to increase the number of our authorized shares of preferred stock and capital stock was approved by shareholders at the meeting;

the proposal to declassify the board of directors was not approved by shareholders.

## Recent Developments

### *Dividends*

On July 15, 2014, our board of directors declared the following cash dividends on our common and preferred shares:

Security	Ticker	Dividend per Share	Period	Record Date	Payment Date
Class A common shares	SSW	\$ 0.345	April 1, 2014 to June 30, 2014	July 21, 2014	July 30, 2014
Series C preferred shares	SSW PR C	\$ 0.59375	April 30, 2014 to July 29, 2014	July 29, 2014	July 30, 2014
Series D preferred shares	SSW PR D	\$ 0.496875	April 30, 2014 to July 29, 2014	July 29, 2014	July 30, 2014
Series E preferred shares	SSW PR E	\$ 0.515625	April 30, 2014 to July 29, 2014	July 29, 2014	July 30, 2014

### *Vessel Delivery*

On July 16, 2014, we accepted delivery of a 10000 TEU containership, the MOL Bravo, expanding our operating fleet to 75 vessels. The new containership was constructed at Jiangsu Xinfu using our fuel-efficient SAVER design. The MOL Bravo commenced an eight-year, fixed-rate time charter with MOL.

### *\$220 Million Lease Financings*

On July 11, 2014 we entered into lease financing arrangements with Asian special purpose companies, or SPCs, for two 10000 TEU newbuilding vessels that are chartered to MOL. The lease financing arrangements are expected to provide gross financing proceeds of approximately \$110 million per vessel, or \$220 million in total. Under the lease financing arrangements, we will sell the vessels to the SPCs, lease the vessels back from the SPCs over a term of approximately 8.5 years, and will have an option to purchase the vessels at the end of the lease term for a pre-determined purchase price. On July 16, 2014, we financed the purchase of the MOL Bravo through one of the lease financing arrangements and received gross proceeds of \$110 million. We expect to finance the purchase of the MOL Brightness, scheduled for delivery during the fourth quarter of 2014, through the second lease financing arrangement. These lease financing arrangements will provide financing at market rates.

### *Proposed Extensions of GCI Right of First Refusal and Right of First Offer Agreement, CEO Employment Agreement and Related Agreements*

GCI is an investment vehicle established with an affiliate of global asset manager, The Carlyle Group, and others, including affiliates of Seaspan's director Graham Porter and of our largest shareholder, Dennis R. Washington. We have a right of first refusal, or ROFR, on containership investment opportunities available to GCI and a right of first offer, or ROFO, for certain containerships GCI may propose to sell. The ROFR and ROFO expire on March 31, 2015. The investors in GCI intend to extend the terms of the ROFR and ROFO by one year to March 31, 2016. By extending the ROFR and ROFO, we believe we will continue to have increased buying power and scale by which we can selectively and cost effectively grow our fleet as well as better serve our customers. In addition, through this venture, we believe that we will continue to realize better volume discounts and obtain more attractive financing than we would otherwise be able to achieve on our own. Since GCI was formed in 2011, we have expanded our managed fleet by 40 containerships, including 30 newbuilding vessels on order or under construction.

In connection with the planned extension of the ROFR and ROFO, we intend to extend our employment and transaction services agreements with Gerry Wang and our financing services agreement with Tiger Ventures Limited, or Tiger Ventures, an affiliate of Mr. Porter, through March 31, 2016.

For additional information about GCI, the ROFR and ROFO, the terms of the employment and transaction services agreements with Mr. Wang and the financing services agreement with Tiger Ventures, please read Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions in our 2013 Annual Report. The proposed transactions described above remain subject to negotiation of mutually acceptable terms and documentation and approval of the conflicts committee of our board of directors, and, accordingly, such transactions may not happen pursuant to the terms described above, if at all.

**Our Fleet***Our Current Fleet*

The following table summarizes key facts regarding our 74 operating vessels as of June 30, 2014:

VESSEL NAME	VESSEL CLASS (TEU)	YEAR BUILT	CHARTER START DATE	CHARTERER	LENGTH OF CHARTER	DAILY CHARTER
						RATE (in thousands)
COSCO Glory	13100	2011	6/10/11	COSCON	12 years	\$ 55.0
COSCO Pride <sup>(1)</sup>	13100	2011	6/29/11	COSCON	12 years	55.0
COSCO Development	13100	2011	8/10/11	COSCON	12 years	55.0
COSCO Harmony	13100	2011	8/19/11	COSCON	12 years	55.0
COSCO Excellence	13100	2012	3/8/12	COSCON	12 years	55.0
COSCO Faith <sup>(1)</sup>	13100	2012	3/14/12	COSCON	12 years	55.0
COSCO Hope	13100	2012	4/19/12	COSCON	12 years	55.0
COSCO Fortune	13100	2012	4/29/12	COSCON	12 years	55.0
Hanjin Buddha	10000	2014	3/25/14	Hanjin	10 years + one 2-year option	43.0 <sup>(2)</sup>
Hanjin Namu	10000	2014	6/5/14	Hanjin	10 years + one 2-year option	43.0 <sup>(2)</sup>
Hanjin Tabul <sup>(3)</sup>	10000	2014				
CSCL Zeebrugge	9600	2007	3/15/07	CSCL Asia	12 years	34.5 <sup>(4)</sup>
CSCL Long Beach	9600	2007	7/6/07	CSCL Asia	12 years	34.5 <sup>(4)</sup>
CSCL Oceania	8500	2004	12/4/04	CSCL Asia	12 years + one 3-year option	29.8 <sup>(5)</sup>
CSCL Africa	8500	2005	1/24/05	CSCL Asia	12 years + one 3-year option	29.8 <sup>(5)</sup>
COSCO Japan	8500	2010	3/9/10	COSCON	12 years + three 1-year options	42.9 <sup>(6)</sup>
COSCO Korea	8500	2010	4/5/10	COSCON	12 years + three 1-year options	42.9 <sup>(6)</sup>
COSCO Philippines	8500	2010	4/24/10	COSCON	12 years + three 1-year options	42.9 <sup>(6)</sup>
COSCO Malaysia	8500	2010	5/19/10	COSCON	12 years + three 1-year options	42.9 <sup>(6)</sup>
COSCO Indonesia	8500	2010	7/5/10	COSCON	12 years + three 1-year options	42.9 <sup>(6)</sup>
COSCO Thailand	8500	2010	10/20/10	COSCON	12 years + three 1-year options	42.9 <sup>(6)</sup>
COSCO Prince Rupert	8500	2011	3/21/11	COSCON	12 years + three 1-year options	42.9 <sup>(6)</sup>
COSCO Vietnam	8500	2011	4/21/11	COSCON	12 years + three 1-year options	42.9 <sup>(6)</sup>
MOL Emerald	5100	2009	4/30/09	MOL	12 years	28.9
MOL Eminence	5100	2009	8/31/09	MOL	12 years	28.9
MOL Emissary	5100	2009	11/20/09	MOL	12 years	28.9
MOL Empire	5100	2010	1/8/10	MOL	12 years	28.9
MSC Veronique	4800	1989	11/25/11	MSC	5 years	14.5 <sup>(7)</sup>
MSC Manu	4800	1988	11/15/11	MSC	5 years	14.5 <sup>(7)</sup>
MSC Leanne	4800	1989	10/19/11	MSC	5 years	14.5 <sup>(7)</sup>
MSC Carole	4800	1989	10/12/11	MSC	5 years	14.5 <sup>(7)</sup>

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MOL Excellence	4600	2003	6/13/13	MOL	2 years + one 1-year option	Market rate <sup>(8)</sup>
MOL Efficiency	4600	2003	7/4/13	MOL	2 years + one 1-year option	Market rate <sup>(8)</sup>
Brotonne Bridge <sup>(1)</sup>	4500	2010	10/25/10	K-Line	12 years + two 3-year options	34.3 <sup>(9)</sup>
Brevik Bridge <sup>(1)</sup>	4500	2011	1/25/11	K-Line	12 years + two 3-year options	34.3 <sup>(9)</sup>
Bilbao Bridge <sup>(1)</sup>	4500	2011	1/28/11	K-Line	12 years + two 3-year options	34.3 <sup>(9)</sup>
Berlin Bridge <sup>(1)</sup>	4500	2011	5/9/11	K-Line	12 years + two 3-year options	34.3 <sup>(9)</sup>
Budapest Bridge <sup>(1)</sup>	4500	2011	8/1/11	K-Line	12 years + two 3-year options	34.3 <sup>(9)</sup>
Seaspan Hamburg	4250	2001	11/3/13	Hapag-Lloyd	Up to 30 months + one 8 to 12 month option	Market rate <sup>(8)</sup>
Seaspan Chiwan	4250	2001	12/29/13	Hapag-Lloyd	Up to 30 months + one 8 to 12 month option	Market rate <sup>(8)</sup>
Seaspan Ningbo	4250	2002	9/7/13	Hapag-Lloyd	Up to 30 months + one 8 to 12 month option	Market rate <sup>(8)</sup>
Seaspan Dalian	4250	2002	7/17/13	Hapag-Lloyd	Up to 30 months + one 6 to 12 month option	Market rate <sup>(8)</sup>
Seaspan Felixstowe	4250	2002	7/24/13	Hapag-Lloyd	Up to 30 months + one 6 to 12 month option	Market rate <sup>(8)</sup>
CSCL Vancouver	4250	2005	2/16/05	CSCL Asia	12 years	17.0
CSCL Sydney	4250	2005	4/19/05	CSCL Asia	12 years	17.0
CSCL New York	4250	2005	5/26/05	CSCL Asia	12 years	17.0
CSCL Melbourne	4250	2005	8/17/05	CSCL Asia	12 years	17.0
CSCL Brisbane	4250	2005	9/15/05	CSCL Asia	12 years	17.0
New Delhi Express	4250	2005	10/19/05	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(10)</sup>	18.0 <sup>(11)</sup>
Dubai Express	4250	2006	1/3/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(10)</sup>	18.0 <sup>(11)</sup>
Jakarta Express	4250	2006	2/21/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(10)</sup>	18.0 <sup>(11)</sup>
Vaigon Express	4250	2006	4/6/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(10)</sup>	18.0 <sup>(11)</sup>
Lahore Express	4250	2006	7/11/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(10)</sup>	18.0 <sup>(11)</sup>
Rio Grande Express	4250	2006	10/20/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(10)</sup>	18.0 <sup>(11)</sup>

VESSEL NAME	VESSEL CLASS (TEU)	YEAR BUILT	CHARTER START DATE	CHARTERER	LENGTH OF CHARTER	DAILY CHARTER RATE (in thousands)
Santos Express	4250	2006	11/13/06	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(10)</sup>	18.0 <sup>(11)</sup>
Rio de Janeiro Express	4250	2007	3/28/07	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(10)</sup>	18.0 <sup>(11)</sup>
Manila Express	4250	2007	5/23/07	HL USA	3 years + seven 1-year extensions + two 1-year options <sup>(10)</sup>	18.0 <sup>(11)</sup>
CSAV Loncomilla	4250	2009	4/28/09	CSAV	6 years	25.9
CSAV Lumaco	4250	2009	5/14/09	CSAV	6 years	25.9
CSAV Lingue	4250	2010	5/17/10	CSAV	6 years	25.9
CSAV Lebu	4250	2010	6/7/10	CSAV	6 years	25.9
Madinah <sup>(1)</sup>	4250	2009	4/1/14	CSCL Asia	Up to 240 days <sup>(12)</sup>	Market rate <sup>(8)</sup>
COSCO Fuzhou	3500	2007	3/27/07	COSCON	12 years	19.0
COSCO Yingkou	3500	2007	7/5/07	COSCON	12 years	19.0
CSCL Panama	2500	2008	5/14/08	CSCL Asia	12 years	16.9 <sup>(13)</sup>
CSCL São Paulo	2500	2008	8/11/08	CSCL Asia	12 years	16.8 <sup>(13)</sup>
CSCL Montevideo	2500	2008	9/6/08	CSCL Asia	12 years	16.8 <sup>(13)</sup>
CSCL Lima	2500	2008	10/15/08	CSCL Asia	12 years	16.8 <sup>(13)</sup>
CSCL Santiago	2500	2008	11/8/08	CSCL Asia	12 years	16.8 <sup>(13)</sup>
CSCL San Jose	2500	2008	12/1/08	CSCL Asia	12 years	16.8 <sup>(13)</sup>
CSCL Callao	2500	2009	4/10/09	CSCL Asia	12 years	16.8 <sup>(13)</sup>
CSCL Manzanillo	2500	2009	9/21/09	CSCL Asia	12 years	16.8 <sup>(13)</sup>
Guayaquil Bridge	2500	2010	3/8/10	K-Line	10 years	17.9
Calicanto Bridge	2500	2010	5/30/10	K-Line	10 years	17.9

- (1) This vessel is leased pursuant to a lease agreement, which we used to finance the acquisition of the vessel.
- (2) Hanjin has an initial charter of 10 years with a charter rate of \$43,000 per day for the initial term and \$44,500 per day during the two-year option.
- (3) This vessel commenced a 10 year charter with one two-year option with Hanjin on July 2, 2014. Hanjin has an initial charter of 10 years with a charter rate of \$43,000 per day for the initial term and \$44,500 per day during the two-year option.
- (4) CSCL Asia has a charter of 12 years with a charter rate of \$34,000 per day for the first six years, increasing to \$34,500 per day for the second six years.
- (5) CSCL Asia has an initial charter of 12 years with a charter rate of \$29,500 per day for the first six years, \$29,800 per day for the second six years, and \$30,000 per day during the three-year option.
- (6) COSCON has an initial charter of 12 years with a charter rate of \$42,900 per day for the initial term and \$43,400 per day for the three one-year options.
- (7) MSC has a bareboat charter of five years with a charter rate of \$10,000 per day for the first two years, increasing to \$14,500 per day after two years. MSC has agreed to purchase the vessels for \$5.0 million each at the end of the five-year bareboat charter terms. In addition, we pay a 1.25% commission to a broker on all bareboat charter payments for these charters.
- (8) Given that the term of the charter is less than three years (excluding any charterers' option to extend the term), the vessel is being chartered at current market rates.
- (9)



K-Line has an initial charter of 12 years with a charter rate of \$34,250 per day for the first six years, increasing to \$34,500 per day for the second six years, \$37,500 per day for the first three-year option period and \$42,500 per day for the second three-year option period.

- (10) For these charters, the initial term was three years, which automatically extends for up to an additional seven years in successive one-year extensions unless HL USA elects to terminate the charters with two years prior written notice. HL USA would have been required to pay a fee of approximately \$8.0 million to terminate a charter at the end of the initial term. The termination fee declines by \$1.0 million per year per vessel in years four through nine. The initial terms of the charters for these vessels have expired, and these charters have been automatically extended pursuant to their terms.
- (11) HL USA had an initial charter of three years that automatically extends for up to an additional seven years in successive one-year extensions unless HL USA elects to terminate the charters with two years prior written notice, with a charter rate of \$18,000 per day for the first one-year option remaining, increasing to \$18,500 per day for the second one-year option remaining.
- (12) The Madinah is expected to be re-delivered to us on August 4, 2014 and will be off-charter until we enter into a new charter.
- (13) CSCL Asia has a charter of 12 years with a charter rate of \$16,750 per day for the first six years, increasing to \$16,900 per day for the second six years.

*New Vessel Contracts*

Our primary objective is to continue to grow our business through accretive vessel acquisitions as market conditions allow.

As of June 30, 2014 we have contracted to purchase 15 newbuilding containerships which have scheduled delivery dates through May 2016. These vessels consist of the following:

<b>Vessel</b>	<b>Vessel Class (TEU)</b>	<b>Length of Time Charter <sup>(1)</sup></b>	<b>Charterer</b>	<b>Scheduled Delivery Date</b>	<b>Shipbuilder</b>
Hull No. 1006	10000	8 years + one 2-year option	MOL	2014	New Jiangsu and Jiangsu Xinfu
Hull No. 1008	10000	8 years + one 2-year option	MOL	2014	New Jiangsu and Jiangsu Xinfu
Hull No. 2638	14000	10 years + one 2-year option	Yang Ming Marine	2015	HHI
Hull No. 2640	14000	10 years + one 2-year option	Yang Ming Marine	2015	HHI
Hull No. 2642	14000	10 years + one 2-year option	Yang Ming Marine	2015	HHI
Hull No. 2643	14000	10 years + one 2-year option	Yang Ming Marine	2015	HHI
Hull No. 2645	14000	10 years + one 2-year option	Yang Ming Marine	2015	HHI
Hull No. 2647	14000	10 years + one 2-year option	Yang Ming Marine	2015	HHI
Hull No. 1037	14000	Minimum 6 years to maximum of 10 years + one 2-year option	Yang Ming Marine	2016	CSBC
Hull No. 1039	14000	Minimum 6 years to maximum of 10 years + one 2-year option	Yang Ming Marine	2016	CSBC
Hull No. 1100	10000	8 years + one 2-year option	MOL	2015	New Jiangsu and Jiangsu Xinfu
Hull No. 1102	10000	8 years + one 2-year option	MOL	2015	New Jiangsu and Jiangsu Xinfu
Hull No. 1104	10000	(2)	(2)	2015	New Jiangsu and Jiangsu Xinfu
Hull No. 1105	10000	(2)	(2)	2015	New Jiangsu and Jiangsu Xinfu
Hull No. 1106	10000	8 years + one 2-year option	MOL	2016	New Jiangsu and Jiangsu Xinfu

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

(2) We expect to enter into a long-term charter for this vessel in the near future.

The following table indicates the estimated number of owned, leased and managed vessels in our fleet based on scheduled delivery dates as of June 30, 2014:

	<b>Six Months Ended</b>				<b>Scheduled for the year ended December 31,</b>			
	<b>June 30, 2014</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>June 30, 2014</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Owned and leased vessels, beginning of year	71	71	76	86	71	71	76	86
Deliveries	3	5	10	3	3	5	10	3
<b>Total, end of period</b>	<b>74</b>	<b>76</b>	<b>86</b>	<b>89</b>	<b>74</b>	<b>76</b>	<b>86</b>	<b>89</b>
Managed vessels, beginning of year	2	2	6	14	2	2	6	14
Deliveries	2	4	8	6	2	4	8	6
<b>Total, end of period</b>	<b>4</b>	<b>6</b>	<b>14</b>	<b>20</b>	<b>4</b>	<b>6</b>	<b>14</b>	<b>20</b>
<b>Total Fleet</b>	<b>78</b>	<b>82</b>	<b>100</b>	<b>109</b>	<b>78</b>	<b>82</b>	<b>100</b>	<b>109</b>
<b>Total Capacity (TEU)</b>	<b>473,500</b>	<b>513,500</b>	<b>733,500</b>	<b>843,500</b>	<b>473,500</b>	<b>513,500</b>	<b>733,500</b>	<b>843,500</b>

**Three and Six Months Ended June, 2014 Compared with Three and Six Months Ended June 30, 2013**

The following is a discussion of our financial condition and results of operations for the three and six months ended June 30, 2014 and 2013. The following provides information about our fleet as of June 30, 2014 and excludes vessels that are managed for third parties, unless otherwise indicated:

Number of vessels in operation	74
Average age of fleet	7 years
TEU capacity	444,300
Average remaining initial term on outstanding charters	5 years

At the beginning of 2014, we had 71 vessels in operation. We accepted delivery of three newbuilding vessels during the six months ended June 30, 2014, bringing our fleet to a total of 74 vessels in operation as at June 30, 2014.

Revenue from time charters is determined primarily by the number of operating days, and ship operating expense is determined primarily by the number of ownership days.

	Three Months Ended		Increase		Six Months Ended		Increase	
	June 30, 2014	2013	Days	%	June 30, 2014	2013	Days	%
Operating days	6,168	5,874	294	5.0%	12,137	11,494	643	5.6%
Ownership days	6,214	5,933	281	4.7%	12,251	11,783	468	4.0%

Our vessel utilization for the three and six months ended June 30, 2014 and 2013 is as follows:

	First Quarter		Second Quarter		Year to Date	June 30,
	2014	2013	2014	2013	2014	2013
<b>Vessel utilization:</b>						
Ownership Days	6,037	5,850	6,214	5,933	12,251	11,783
Less Off-hire Days:						
Scheduled 5-Year Survey	(10)		(43)	(19)	(53)	(19)
Unscheduled Off-hire <sup>(1)</sup>	(58)	(230)	(3)	(40)	(61)	(270)
<b>Operating Days</b>	<b>5,969</b>	<b>5,620</b>	<b>6,168</b>	<b>5,874</b>	<b>12,137</b>	<b>11,494</b>
<b>Vessel Utilization</b>	<b>98.9%</b>	<b>96.1%</b>	<b>99.3%</b>	<b>99.0%</b>	<b>99.1%</b>	<b>97.5%</b>

<sup>(1)</sup> Unscheduled off-hire includes days related to vessels off-charter.

Our consolidated financial results for the three and six months ended June 30, 2014 and 2013 are summarized below:

## Financial Summary

In millions of USD)	Three Months Ended					Six Months Ended				
	June 30,		Change		June 30,		Change			
	2014	2013	\$	%	2014	2013	\$	%		
Revenue	\$ 173.9	\$ 167.8	\$ 6.1	3.6%	\$ 341.9	\$ 332.7	\$ 9.1	2.7%		
Ship operating expense	41.1	37.3	3.7	10.0%	82.3	74.9	7.4	9.9%		
Depreciation and amortization expense	44.6	42.8	1.8	4.1%	88.3	85.6	2.7	3.2%		
General and administrative expense	7.5	11.8	(4.4)	(36.8)%	15.5	19.6	(4.1)	(20.9)%		
Operating lease expense	1.1	1.1		1.1%	2.2	2.2		1.3%		
Interest expense	23.0	15.3	7.7	50.6%	40.6	30.8	9.8	31.9%		
Refinancing expenses										
Goodwill costs	2.8		2.8	100.0%	2.8		2.8	100.0%		
Change in fair value of financial instruments	33.0	(71.2)	104.2	146.3%	69.3	(68.5)	137.8	201.1%		

*Revenue*

Revenue increased by 3.6% and 2.7% for the three and six months ended June 30, 2014, respectively, over the same periods for 2013. These increases were due primarily to two 10000 TEU vessels which commenced time charters in the first half of 2014, the impact of a full quarter of revenue contribution from the two 4600 TEU secondhand vessels delivered in mid-2013 and a decrease in unscheduled off-hire. These increases were partially offset by lower charter rates for three vessels which were on short-term charters during the three and six months ended June 30, 2014, an increase in scheduled off-hire and a decrease in vessel management revenue.

The increases in operating days and the related financial impact thereof for the three and six months ended June 30, 2014 relative to the corresponding periods in 2013, are attributable to the following:

	Three Months Ended June 30, 2014		Six Months Ended June 30, 2014	
	Operating Days Impact	\$ Impact (in millions)	Operating Days Impact	\$ Impact (in millions)
2014 vessel deliveries	117	\$ 5.0	124	\$ 5.3
Full period contribution for 2013 vessel deliveries	164	3.2	344	6.8
Change in daily charter hire rate and re-charters		(1.5)		(3.3)
Scheduled off-hire	(24)	(0.7)	(34)	(1.0)
Unscheduled off-hire	37	1.0	209	2.4
Vessel management revenue		(0.8)		(0.8)
Other		(0.1)		(0.3)
<b>Total</b>	<b>294</b>	<b>\$ 6.1</b>	<b>643</b>	<b>\$ 9.1</b>

Vessel utilization was 99.3% and 99.1% for the three and six months ended June 30, 2014, respectively, compared to 99.0% and 97.5% for the same periods in 2013.

The increase in vessel utilization for the six months ended June 30, 2014, compared to the same period in 2013, was primarily due to a 209-day decrease in unscheduled off-hire. In the six months ended June 30, 2014, there were 61 days of unscheduled off-hire which included 50 off-charter days compared to 270 days of unscheduled off-hire in the six months ended June 30, 2013, which included 238 off-charter days. During the six months ended June 30, 2014, we completed four scheduled dry-dockings that resulted in 53 days of scheduled off-hire, compared to two scheduled dry-dockings that resulted in 19 days of scheduled off-hire in the same period of 2013.

We completed dry-dockings for the following vessels during the three and six months ended June 30, 2014:

Vessel	Completed
MOL Emerald	Q2
CSAV Loncomilla	Q2
CSAV Lumaco	Q2
CSCL Callao	Q2

Our cumulative vessel utilization since our initial public offering in August 2005 through June 30, 2014 is approximately 99.0% or 99.3% if the impact of off-charter days is excluded.

*Ship Operating Expense*

Ship operating expense increased by 10.0% to \$41.1 million and by 9.9% to \$82.3 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013, due primarily to an increase in crew wages, stores, spares, repairs and ship management infrastructure costs. Ownership and managed days also increased by 2.2% and by 2.6% for the three and six months ended June 30, 2014, respectively, compared to the same period in 2013, which contributed to the increase in ship operating expense. The increase in ownership days was due to the new vessel deliveries in 2014 and a full period of ownership for the vessels delivered in mid-2013. Crew wages increased due to an increase in the number of crew as well as the earlier timing of wage increases that occurred in the first quarter of 2014 compared to the third quarter of 2013. In addition, the purchase of stores and spare parts occurred earlier in 2014 than in 2013. We expect ship operating expense to increase as the average size of our vessels increases and as our fleet ages.

### *Depreciation and Amortization Expense*

The increase in depreciation and amortization expense for the three and six months ended June 30, 2014 was due to the increase in the size of our fleet from the 2014 deliveries. In addition, two vessels were delivered in mid-2013 and a full period of depreciation for these vessels was expensed in the three and six months ended June 30, 2014.

### *General and Administrative Expense*

General and administrative expense decreased by 36.8% to \$7.5 million and by 20.9% to \$15.5 million for the three and six months ended June 30, 2014, compared to the same periods in 2013.

The decreases were primarily due to decreases of \$4.5 million and \$4.8 million for the three and six months ended June 30, 2014, respectively, in stock-based compensation expense related to non-cash stock appreciation rights or SARs. The three and six months ended June 30, 2013 included \$2.6 million of accelerated stock-based compensation that was recognized related to the vesting of the first tranche of SARs.

The decrease for the six months ended June 30, 2014 was partially offset by an increase in executive compensation and general corporate expenses of \$0.7 million.

### *Interest Expense*

At June 30, 2014, we had total borrowings of \$3.9 billion, which consisted of long-term debt of \$3.3 billion and other long-term liabilities of \$0.6 billion. At June 30, 2013, we had total borrowings of \$3.7 billion, which consisted of long-term debt of \$3.1 billion and other long-term liabilities of \$0.6 billion. At June 30, 2014, our operating borrowings were \$3.62 billion compared to \$3.55 billion at June 30, 2013. Interest expense is comprised primarily of interest incurred on long-term debt and other long-term liabilities relating to operating vessels at either the variable rate calculated by reference to LIBOR plus the applicable margin or at fixed rates. Although we have entered into fixed interest rate swaps for much of our variable rate debt, the difference between the variable interest rate and the swapped fixed-rate on operating debt is recorded in our change in fair value of financial instruments. Interest expense also includes a non-cash reclassification of amounts from accumulated other comprehensive loss related to previously designated hedging relationships. Interest incurred on our borrowings related to our vessels under construction is capitalized to the cost of the respective vessels under construction.

Interest expense increased by \$7.7 million to \$23.0 million and by \$9.8 million to \$40.6 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013. The increase in interest expense was primarily due to an increase in the cost of borrowings. The increase in the cost of borrowings is related to the refinancing of our \$1.0 billion credit facility in January 2014 and certain of our term loans which have higher margins than the facilities outstanding for the comparative periods and higher interest rates under our fixed-rate Notes.

### *Change in Fair Value of Financial Instruments*

The change in fair value of financial instruments resulted in losses of \$33.0 million and \$69.3 million for the three and six months ended June 30, 2014, respectively, compared to gains of \$71.2 million and \$68.5 million for the same periods in 2013, respectively. The change in fair value for the three and six months ended June 30, 2014 was primarily due to decreases in the forward LIBOR curve and the effect of the passage of time. In addition, during the first quarter of 2014 there was an early termination of one of our swaps in connection with the refinancing of our \$1.0 billion credit facility, that resulted in a loss of \$4.5 million.

The fair value of interest rate swap and swaption agreements is subject to change based on our company-specific credit risk and that of the counterparty included in the discount factor and the interest rate implied by the current swap



curve, including its relative steepness. In determining the fair value, these factors are based on current information available to us. These factors are expected to change through the life of the instruments, causing the fair value to fluctuate significantly due to the large notional amounts and long-term nature of our derivative instruments. As these factors may change, the fair value of the instruments is an estimate and may deviate significantly from the actual cash settlements realized over the term of the instruments. Our valuation techniques have not changed and remain consistent with those followed by other valuation practitioners.

The fair value of our interest rate swaps is most significantly impacted by changes in the yield curve. Based on the current notional amount and tenor of our interest rate swap portfolio, a one percent parallel shift in the overall yield curve is expected to result in a change in the fair value of our interest rate swaps and swaptions of approximately \$105.0 million. Actual changes in the yield curve are not expected to occur equally at all points and changes to the curve may be isolated to periods of time. This steepening or flattening of the yield curve may result in greater or lesser changes to the fair value of our financial instruments in a particular period than would occur had the entire yield curve changed equally at all points.

The fair value of our interest rate swaps is also impacted by changes in our company-specific credit risk included in the discount factor. We discount our derivative instruments with reference to publicly-traded bond yields for our comparator group in the shipping industry and composite Bloomberg industry yield curves. Based on the current notional amount and tenor of our swap portfolio, a one percent change in the discount factor is expected to result in a change in the fair value of our interest rate swaps and swaptions of approximately \$11.0 million.

All of our interest rate swap agreements and our swaption agreements were marked to market with all changes in the fair value of these instruments recorded in *Change in fair value of financial instruments* in the Statement of Operations.

Please read *Item 11. Quantitative and Qualitative Disclosures About Market Risk* in our 2013 Annual Report for additional information.

## **Liquidity and Capital Resources**

### *Liquidity*

As at June 30, 2014, our cash and cash equivalents and short-term investments totaled \$369.1 million. Our primary short-term liquidity needs are to fund our operating expenses, newbuilding installment payments, debt repayments, lease payments and payment of our quarterly dividends. Our medium-term liquidity needs primarily relate to the purchase of the containerships we have contracted to purchase, debt repayments, lease payments and any open market repurchases of common and preferred shares. Our long-term liquidity needs primarily relate to potential future vessel acquisitions, debt repayments and lease payments, and the future potential redemption of our preferred shares and Notes. The Series C preferred shares carry an annual dividend rate of 9.5% per \$25 of liquidation preference per share, which is subject to increase if, among other things, we do not redeem the shares in whole by January 30, 2017. The Series C preferred shares are redeemable by us at any time on or after January 30, 2016. The Series D preferred shares carry an annual dividend rate of 7.95% per \$25 of liquidation preference per share. The Series D preferred shares are redeemable by us at any time on or after January 30, 2018. The Series E preferred shares carry an annual dividend rate of 8.25% per \$25 of liquidation preference per share. The Series E preferred shares are redeemable by us at any time on or after February 13, 2019. The Notes bear interest at a rate of 6.375% per year and mature in April 2019.

We anticipate that our primary sources of funds for our short and medium-term liquidity needs will be our committed credit facilities, new credit facilities, new lease obligations, debt financings, additional equity offerings as well as our cash from operations, while our long-term sources of funds will be from cash from operations and debt or equity financings. As of June 30, 2014, the estimated remaining installments on the 15 vessels we had contracted to purchase was approximately \$1.2 billion, which we will fund primarily from our existing and future credit facilities, cash from operations, proceeds from our prior preferred share offerings and proceeds from our recent Notes offering. Future debt or equity issuances may be considered for growth.

The following table summarizes our credit facilities and lease obligations as of June 30, 2014:

In millions of USD	Amount Outstanding <sup>(1)</sup>	Amount Committed	Amount Available
<i>Long-Term Debt</i>			
Revolving credit facilities <sup>(2)</sup>	\$ 1,226.0	\$ 1,351.1	\$ 125.1
Term loan credit facilities	1,736.9	2,076.9	340.0
Senior unsecured notes	345.0	345.0	
<b>Total Long-Term Debt</b>	<b>3,307.9</b>	<b>3,773.0</b>	<b>465.1</b>
<i>Lease Facilities</i>			
Leases for five 4500 TEU vessels (limited recourse to Seaspan Corporation)	369.6	369.6	
COSCO Faith 13100 TEU vessel (non-recourse to Seaspan Corporation)	94.8	94.8	
COSCO Pride 13100 TEU vessel (non-recourse to Seaspan Corporation)	126.6	126.6	
<b>Total Lease Facilities</b>	<b>591.0</b>	<b>591.0</b>	
<b>Total Credit and Lease Facilities<sup>(3)</sup></b>	<b>\$ 3,898.9</b>	<b>\$ 4,364.0</b>	<b>\$ 465.1</b>

(1) Includes amounts owed by wholly owned subsidiaries of Seaspan Corporation, which are non-recourse to Seaspan Corporation.

(2) Includes a \$16.9 million line of credit which was undrawn as at June 30, 2014.

(3) At June 30, 2014, our operating borrowings were \$3.6 billion (December 31, 2013 \$3.5 billion). The remaining of our borrowings related to the construction of newbuilding vessels.

#### *Credit and Lease Facilities*

##### *Our Credit Facilities*

We primarily use our credit facilities to finance the construction and acquisition of vessels. Our credit facilities are, or will be upon vessel delivery, secured by first-priority mortgages granted on 70 of our vessels, together with other related security, such as assignments of shipbuilding contracts and refund guarantees for the vessels, assignments of time charters and earnings for the vessels, assignments of insurances for the vessels and assignments of management agreements for the vessels.

As of June 30, 2014, our revolving credit facilities and term loans provided for borrowings of up to approximately \$4.4 billion, of which approximately \$3.9 billion was outstanding and \$465.1 million was available to be drawn by us subject to certain conditions. Interest payments on the revolving credit facilities are based on LIBOR plus margins, which ranged between 0.5% and 0.9% as of June 30, 2014. We may prepay certain loans under our revolving credit facilities without penalty, other than breakage costs and opportunity costs in certain circumstances. We are required to prepay a portion of the outstanding loans under certain circumstances, such as the sale or loss of a vessel where we do not substitute another appropriate vessel. Amounts prepaid in accordance with these provisions may be re-borrowed, subject to certain conditions.

Interest payments on our term loans, excluding four term loans totaling \$19.0 million and the \$345.0 million senior unsecured notes, are based on either LIBOR plus margins, which ranged between 0.4% and 4.8% as of June 30, 2014 or, for a portion of one of our term loans, the commercial interest reference rate of KEXIM plus a margin, which was 0.7% as of June 30, 2014. We may prepay all term loans without penalty, other than breakage costs in certain circumstances and in one case a prepayment fee under certain circumstances. We are required to prepay a portion of the outstanding loans under certain circumstances, such as the sale or loss of a vessel where we do not substitute another appropriate vessel. Amounts prepaid in accordance with these provisions may not be re-borrowed.

*Our Lease Facilities*

We use our lease facilities to finance the construction and acquisition of vessels. Our lease facilities are provided by bank financial leasing owners who own our eight leased vessels, including one operating lease. These banks are also granted other related security, such as assignments of time charters and earnings for the vessels, assignments of insurances for the vessels and assignments of management agreements for the vessels. We do not include our operating lease as part of our lease facilities.

As at June 30, 2014, we had lease obligations of approximately \$591.0 million. Under our lease agreements, subject to payment of a termination fee in certain circumstances, we may voluntarily terminate a lease agreement. We are also required to prepay rental amounts, broken funding costs and other costs to the lessor in certain circumstances.

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

For additional information about our credit and lease facilities, including, among other things, a description of certain related covenants, please read Item 5. Operating and Financial Review and Prospects C. Liquidity and Capital Resources in our 2013 Annual Report.

## Cash Flows

The following table summarizes our sources and uses of cash for the periods presented:

In thousands of USD	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net cash flows from operating activities	\$ 82,730	\$ 80,001	\$ 157,843	\$ 135,844
Net cash flows from/(used in) financing activities	149,253	(46,032)	(43,610)	(98,280)
Net cash flows used in investing activities	(233,382)	(51,923)	(304,662)	(164,378)

### *Operating Cash Flows*

Net cash flows from operating activities were \$82.7 million and \$157.8 million for the three and six months ended June 30, 2014, respectively, an increase of \$2.7 million and \$22.0 million over the comparable periods in 2013.

The increase in net cash flows from operating activities for the three months ended June 30, 2014, compared to the same period of 2013, was primarily due to an increase in net earnings, excluding non-cash items, of \$3.8 million and a decrease in cash related to working capital of \$1.0 million. The increase in net earnings, excluding non-cash items, for the three months ended June 30, 2014, compared to the same period of 2013, was primarily due to an increase in revenue of \$6.1 million, lower swap settlements of \$3.6 million and an increase in interest income of \$2.1 million, which was partially offset by higher interest expense of \$7.7 million. The increase in revenue was due primarily to two 10000 TEU vessels which commenced time charters in the first half of 2014, a full period of revenue contribution from the two 4600 TEU secondhand vessels delivered in mid-2013 and a decrease in unscheduled off-hire. The decrease in swap settlements was primarily due to a lower notional on a new swap which we entered into in January 2014 in connection with the refinancing of our \$1.0 billion credit facility. The increase in interest income was due to interest earned on the loans to an affiliate for installments paid on behalf of GCI. The increase in interest expense was primarily due to an increase in the cost of borrowings.

The decrease in cash related to working capital was due primarily to a \$7.3 million decrease in cash from accounts receivable and gross investment in lease, as a result of an increase in trade receivables. This decrease was offset by a \$7.4 million increase in cash from prepaid expenses, excluding non-cash items, due to lower purchases of lubricants and inventory. These changes in working capital are in the normal course of our operations.

The increase in net cash flows from operating activities for the six months ended June 30, 2014 compared to the same period of 2013, was primarily due to an increase in cash related to working capital of \$23.6 million, and a decrease in net earnings, excluding non-cash items, of \$1.6 million. The increase in cash related to working capital resulted primarily from an increase in cash from deferred revenue of \$14.2 million and \$9.2 million from prepaid expenses, excluding non-cash items, partially offset by a decrease in accounts receivable and gross investment in lease. During the six months ended June 30, 2014, the change in deferred revenue was due to the timing of receipts of time charter payments and the change in prepaid expenses was due to lower purchases of lubricants and inventory. The accounts receivable and gross investment in lease change decreased by \$1.9 million primarily as a result of an increase in trade receivables. These changes in working capital are in the normal course of our operations.

The decrease in net earnings, excluding non-cash items, for the six months ended June 30, 2014, compared to the same period of 2013, was primarily due to higher ship operating expenses of \$4.3 million, excluding non-cash items, and higher interest expense of \$9.8 million, partially offset by an increase in revenue of \$9.1 million, an increase in interest income of \$3.0 million and lower swap settlements of \$1.7 million. The increase in ship operating expense was due primarily to an increase in crew wages, stores, spares, repairs and ship management infrastructure costs as well as an increase in ownership and managed days. The increase in interest expense was primarily due to an increase in operating borrowings and the cost of borrowings. The increase in revenue was due primarily to two 10000 TEU vessels which commenced time charters in the first half of 2014, a full period of revenue contribution from the two 4600 TEU secondhand vessels delivered in mid-2013 and a decrease in unscheduled off-hire. The increase in interest income was due to interest earned on the loans to an affiliate for installments paid on behalf of GCI. The decrease in swap settlements was primarily due to a lower notional on a new swap which we entered into in January 2014 in connection with the refinancing of our \$1.0 billion credit facility.

#### *Financing Cash Flows*

Net cash flows from financing activities was \$149.3 million and net cash flows used in financing activities was \$43.6 million for the three and six months ended June 30, 2014, respectively, a decrease in cash used of \$195.3 million and \$54.7 million, compared to the same periods of 2013.

The increase in cash received from financing activities for the three months ended June 30, 2014, compared to the cash used in the same period of 2013, was primarily due to the proceeds from the issuance of our Notes of \$345.0 million and from the issuance of our Class A common shares under our ATM offering of \$4.4 million. This cash received was partially offset by higher repayments on credit facilities of \$140.3 million, primarily from the repayment of our \$125.0 million unsecured credit facility, and an increase in financing fees of \$5.6 million, relating to the new credit facilities we entered into during the quarter and the issuance of our Notes. Dividend payments on our common shares increased by \$4.5 million due to an increase in our common share dividend from \$0.3125 per share to \$0.345 per share and the issuance of 3.5 million common shares in November 2013. We also paid \$3.2 million more in preferred share dividends, primarily due to the issuance of 5.4 million Series E preferred shares in February 2014.

The net decrease in cash used in financing activities for the six months ended June 30, 2014, compared to the same period of 2013, was primarily due to the proceeds from the issuance of our Notes, Class A common shares issued under our ATM offering and Series E preferred shares, the drawdown of our credit facilities and lower financing fees incurred, partially offset by higher repayments on credit facilities and higher dividend payments. In April 2014 we received proceeds of \$345.0 million from the public offering of our Notes, and in February 2014 we received net proceeds of \$130.4 million from the issuance of our Series E preferred shares. We also increased our draws on our credit facilities by \$331.0 million and incurred \$5.8 million less in financing fees as we had less financings in the first half of 2014 compared to the same period of 2013. These increases in cash from financing activities were partially offset by an increase in repayments on credit facilities of \$746.9 million and an increase in dividend payments of \$14.3 million. The repayment of credit facilities increased primarily due to \$598.9 million used to repay our \$1.0 billion credit facility and the repayment of our \$125.0 million unsecured credit facility. Dividend payments on our

common shares increased by \$9.7 million due to an increase in our common share dividend from \$0.3125 per share to \$0.345 per share and the issuance of 3.5 million common shares in November 2013. Preferred shares dividends increased by \$4.6 million primarily due to dividends paid on 2.0 million additional Series D preferred shares issued in November 2013 and from 5.4 million Series E preferred shares issued in February 2014.

*Investing Cash Flows*

Net cash flows used in investing activities were \$233.4 million and \$304.7 million for the three and six months ended June 30, 2014, respectively, an increase in cash used of \$181.5 million and \$140.3 million compared to the same periods of 2013. The increase in cash used was primarily due to the \$147.5 million and \$127.0 million change in loans to an affiliate for the three and six months



ended June 30, 2014, respectively, relating to newbuilding installment payments paid by us on behalf of GCI. In addition during the three months ended June 30, 2014, GCI issued a \$25.0 million promissory note to us. We also used more cash to invest in short-term investments for both the three and six months ended June 30, 2014, and used \$11.0 million more cash on vessel expenditures in the six month period due to the increased size of our newbuilding fleet. The increases were partially offset by a reduction of cash used in other assets.

## **Ongoing Capital Expenditures and Dividends**

### *Ongoing Capital Expenditures*

The average age of the vessels in our operating fleet is approximately seven years. Capital expenditures primarily relate to our regularly scheduled dry-dockings. During the three and six months ended June 30, 2014 we completed four dry-dockings. All of the vessels dry-docked during the three and six months ended June 30, 2014 underwent their first five-year dry-docking. In the remainder of 2014, we expect three vessels and one vessel to undergo their five and 10-year dry-dockings, respectively.

We must make substantial capital expenditures over the long-term to preserve our capital base, which is comprised of our net assets, in order to continue to refinance our indebtedness and to maintain our dividends. We will likely need to retain additional funds at some time in the future to provide reasonable assurance of maintaining our capital base over the long-term. We believe it is not possible to determine now, with any reasonable degree of certainty, how much of our operating cash flow we should retain in our business and when it should be retained to preserve our capital base. Factors that will impact our decisions regarding the amount of funds to be retained in our business to preserve our capital base, include the following:

the remaining lives of our vessels;

the returns that we generate on our retained cash flow, which will depend on the economic terms of any future acquisitions and charters, which are currently unknown;

future market charter rates for our vessels, particularly when they come off charter, which are currently unknown;

our future operating and interest costs, particularly after the acquisition of our Manager now that our operating costs are subject to market fluctuation;

future operating and financing costs are unknown and we use forward currency contracts and interest rate swaps to manage certain currency and interest rate risks;

our future refinancing requirements and alternatives and conditions in the relevant financing and capital markets at that time;

capital expenditures to comply with environmental regulations; and

unanticipated future events and other contingencies.

Please read Item 3. Key Information D. Risk Factors in our 2013 Annual Report for factors that may affect our future capital expenditures and results.

*Dividends*

The following table reflects dividends paid or accrued by us for the periods indicated:

In thousands of USD, except per share amounts	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
<b>Dividends on Class A common shares</b>				
Declared, per share	\$ 0.3450	\$ 0.3125	\$ 0.6575	\$ 0.5625
Paid in cash	15,814	11,266	30,132	20,438
Reinvested in common shares through dividend reinvestment plan	16,449	8,726	31,124	15,348
	\$ 32,263	\$ 19,992	\$ 61,256	\$ 35,786
<b>Dividends on preferred shares</b>				
Series A, accrued <sup>(1)</sup>	\$	\$ 9,423	\$ 3,395	\$ 18,473
Series C, paid in cash	\$ 8,114	\$ 8,312	\$ 16,228	\$ 16,625
Series D, paid in cash	\$ 2,537	\$ 1,545	\$ 4,963	\$ 2,351
Series E, paid in cash	\$ 2,382	\$	\$ 2,382	\$

<sup>(1)</sup> On January 30, 2014, our Series A preferred shares automatically converted into a total of 23,177,175 Class A common shares.

On July 15, 2014, our board of directors declared the following cash dividends on our common and preferred shares:

Security	Ticker	Dividend per Share	Period	Record Date	Payment Date
Class A common shares	SSW	\$ 0.345	April 1, 2014 to June 30, 2014	July 21, 2014	July 30, 2014
Series C preferred shares	SSW PR C	\$ 0.59375	April 30, 2014 to July 29, 2014	July 29, 2014	July 30, 2014
Series D preferred shares	SSW PR D	\$ 0.496875	April 30, 2014 to July 29, 2014	July 29, 2014	July 30, 2014
Series E preferred shares	SSW PR E	\$ 0.515625	April 30, 2014 to July 29, 2014	July 29, 2014	July 30, 2014

**Critical Accounting Estimates**

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make estimates in the application of our accounting policies based on our best assumptions, judgments and opinions. Our estimates affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. We base our estimates

on historical experience and anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. For more information about our critical accounting estimates, please read Item 5. Operating and Financial Review and Prospects D. Critical Accounting Estimates in our 2013 Annual Report.

*Recent Accounting Developments*

None.

**Off-Balance Sheet Arrangements**

At June 30, 2014, we had no off-balance sheet arrangements.

## FORWARD-LOOKING STATEMENTS

This Report on Form 6-K for the quarter ended June 30, 2014 contains certain forward-looking statements (as such term is defined in Section 21E of the Securities Exchange Act of 1934, as amended) concerning our operations, cash flows, and financial position, including, in particular, the likelihood of our success in developing and expanding our business. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as expects, anticipates, intends, plans, believes, estimates, projects, forecasts, will, should, and similar expressions are forward-looking statements. Although these statements are based upon assumptions we believe to be reasonable based upon available information, including projections of revenue, operating margins, earnings, cash flow, working capital and capital expenditures, they are subject to risks and uncertainties. These forward-looking statements represent our estimates and assumptions only at the date of this Report and are not intended to give any assurance as to future results. As a result, you are cautioned not to rely on any forward-looking statements. Forward-looking statements appear in a number of places in this Report. These statements include, but are not limited to:

future operating or financial results;

future growth prospects;

our business strategy and other plans and objectives for future operations;

our expectations relating to dividend payments and our ability to make such payments;

future dividends, including the amount and timing of payment thereof for the remainder of 2014;

the declaration of dividends and related payment dates by our board of directors;

potential acquisitions, vessel financing arrangements and other investments and our expected benefits from such transactions, including any acquisition opportunities, vessel financing arrangements and related benefits relating to our venture with GCI, as well as allocation of vessels under our ROFR and ROFO with GCI;

future time charters and vessel deliveries;

proposed amendments to and negotiations in connection with the GCI ROFR and ROFO, the employment and transaction services agreements with Gerry Wang and the financing services agreements with Tiger Ventures;

the amounts of any payments to the former owners of our Manager related to fleet growth;

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operating expenses, availability of crew, number of off-hire days, dry-docking requirements and insurance costs;

general market conditions and shipping market trends, including charter rates and factors affecting supply and demand;

our financial condition and liquidity, including our ability to borrow funds under our credit facilities, to refinance our existing facilities and to obtain additional financing in the future to fund capital expenditures, acquisitions and other general corporate activities;

estimated future capital expenditures needed to preserve our capital base;

our expectations about the availability of vessels to purchase, the time that it may take to construct new vessels, the delivery dates of new vessels, the commencement of service of new vessels under long-term time charter contracts or the useful lives of our vessels;

our continued ability to maintain, enter into and renew primarily long-term, fixed-rate time charters with our existing customers or new customers, including certain of the 10000 TEU newbuilding containerships;

the repurchase plan for our Series C preferred shares;

our ability to leverage to our advantage our relationships and reputation in the containership industry;

our expectations as to any impairment of our vessels;

the future valuation of goodwill and vessels;

changes in governmental rules and regulations or actions taken by regulatory authorities, and the effect of governmental regulations on our business;

the financial condition of our shipbuilders, customers, lenders, refund guarantors and other counterparties and their ability to perform their obligations under their agreements with us;

the economic downturn and crisis in the global financial markets and potential negative effects of any recurrence of such disruptions on our customers' ability to charter our vessels and pay for our services;

taxation of our company and of distributions to our shareholders;

our exemption from tax on our U.S. source international transportation income;

conditions in the public equity market and the price of our shares;

potential liability from future litigation; and

other factors detailed in this Report and from time to time in our periodic reports.

Forward-looking statements in this Report are estimates reflecting the judgment of senior management and involve known and unknown risks and uncertainties. These forward-looking statements are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Accordingly, these forward-looking statements should be considered in light of various important factors, including those set forth in Item 3. Key Information D. Risk Factors in our 2013 Annual Report.

We do not intend to revise any forward-looking statements in order to reflect any change in our expectations or events or circumstances that may subsequently arise. We expressly disclaim any obligation to update or revise any of these forward-looking statements, whether because of future events, new information, a change in our views or expectations, or otherwise. We make no prediction or statement about the performance of our securities. You should carefully review and consider the various disclosures included in this Report and in our other filings made with the Commission that attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations.



### ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates and foreign currency fluctuations. We use interest rate swaps to manage interest rate price risks and we have entered into foreign currency forward contracts to manage foreign currency fluctuations. We do not use these financial instruments for trading or speculative purposes.

#### Interest Rate Risk

As of June 30, 2014, our floating-rate borrowings totaled \$3.0 billion and we had entered into interest rate swap and swaption agreements to fix the rates on a notional principal of \$2.1 billion. As of June 30, 2014, these interest rate swaps and swaptions had a fair value of \$48.7 million in our favor and \$427.1 million in the counterparties favor.

The tables below provide information about our financial instruments at June 30, 2014 that are sensitive to changes in interest rates. Please read notes 10 and 11 to our consolidated financial statements included in our 2013 Annual Report, which provide additional information with respect to our credit and lease facilities. The information in this table is based upon our credit and lease facilities.

(in thousands)	Principal Payment Dates					
	2014	2015	2016	2017	2018	Thereafter
<b>Credit Facilities:</b>						
Bearing interest at variable interest rates <sup>(1)</sup>	71,645	179,107	191,722	252,556	197,358	1,928,531
<b>Lease Facilities:</b>						
Bearing interest at variable interest rates	5,302	14,534	15,419	16,408	17,484	152,264

- (1) Represents principal payments on our credit facilities that bear interest at variable rates for which we have entered into interest rate swap agreements to fix the LIBOR base rate. For the purpose of this table, principal repayments are determined based on contractual repayments in the commitment reduction schedules for each related facility.

As of June 30, 2014, we had the following interest rate swaps outstanding (in thousands of USD):

#### Fixed per annum

rate swapped for	Notional Amount as of June 30, 2014	Maximum Notional Amount <sup>(1)</sup>	Effective Date	Ending Date
LIBOR				
5.6400%	\$ 714,500	\$ 714,500	August 31, 2007	August 31, 2017
5.4200%	438,462	438,462	September 6, 2007	May 31, 2024
5.9450%	276,978	276,978	January 30, 2014	May 31, 2019 <sup>(2)</sup>
5.6000%	181,600	181,600	June 23, 2010	December 23, 2021
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 <sup>(3)</sup>
5.2000%	82,560	82,560	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 amount over the remaining term of the swap.
- (2) 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.
- (3) We entered into a swaption agreement with a bank (Swaption Counterparty A) whereby Swaption Counterparty A had the option to require us to enter into an interest rate swap to pay LIBOR and receive a fixed rate of 5.26%. This was a European option and was open for a two hour period on February 26, 2014 after which it expired. The notional amount of the underlying swap was \$106,800,000 with an effective date of February 28, 2014 and an expiration of February 26, 2021. If Swaption Counterparty A exercised the swaption, the underlying swap would effectively offset our 5.26% pay fixed LIBOR swap from February 28, 2014 to February 26, 2021. This option was not exercised by Swaption Counterparty A.

We have entered into swaption agreements with a bank, or Swaption Counterparty B, whereby Swaption Counterparty B has the option to require us 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 \$200.0 million with an effective date of March 2, 2017 and an expiration date of March 2, 2027.

Counterparties to these financial instruments may expose us to credit-related losses in the event of non-performance. As at June 30, 2014, these financial instruments are in the counterparties' favor. We have considered and reflected the risk of non-performance by us and our counterparties in the fair value of our financial instruments as of June 30, 2014. As part of our consideration of non-performance risk, we perform evaluations of our counterparties for credit risk through ongoing monitoring of their financial health and risk profiles to identify funding risk or changes in their credit ratings.

Counterparties to these agreements are major financial institutions, and we consider the risk of loss due to non-performance to be minimal. We do not require collateral from these institutions. We do not hold and will not issue interest rate swaps for trading purposes.

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## PART II OTHER INFORMATION

### Item 1 Legal Proceedings

None.

### Item 1A Risk Factors

You should consider the factors discussed in Item 3. Key Information D. Risk Factors in our 2013 Annual Report, which could materially affect our business, results of operations or financial condition.

### Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

In January 2014, our 200,000 outstanding Series A preferred shares automatically converted into a total of 23,177,175 Class A common shares pursuant to the terms of our articles of incorporation. The Series A preferred shares were issued pursuant to the Preferred Stock Purchase Agreement, dated as of January 22, 2009, between us, Deep Water Holdings, LLC, Tiger Container Shipping Co. Ltd., CopperLion Capital (KRW) I Limited Partnership and CopperLion Capital (KLW) I Limited Partnership and qualified for an exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended. The Series A preferred shares were issued to Deep Water Holdings, LLC, Tiger Container Shipping Co., Ltd., the Kyle Roy Washington 1999 Trust II (as successor in interest) and the Kevin Lee Washington 1999 Trust II (as successor in interest).

In July 2014, we issued to the Kevin Lee Washington 1999 Trust II, the Kyle Roy Washington 2005 Irrevocable Trust and Thetis Holdings Ltd. as the former owners of our Manager, each of whom is an accredited investor, a total of 156,324 shares of our Class A common stock as additional purchase price for the acquisition of our Manager. The shares were issued pursuant to the terms of the Share Purchase Agreement dated January 27, 2012 between us and the former owners of our Manager and qualified for an exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended.

During the three months ended June 30, 2014, we issued to Tiger Ventures, an accredited investor, a total of 9,191 shares of our Class A common stock as consulting compensation pursuant to the Financial Services Agreement, dated as of March 14, 2011, between us and Tiger Ventures. The issuances qualified for an exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended.

The Kevin Lee Washington 1999 Trust II, the Kyle Roy Washington 2005 Irrevocable Trust and the Kyle Roy Washington 1999 Trust II are trusts established for sons of Dennis R. Washington, including Kyle Washington, co-chairman of our board of directors. Dennis R. Washington controls Deep Water Holdings, LLC, which is our largest shareholder. Thetis Holdings Ltd., Tiger Ventures and Tiger Container Shipping Co. Ltd. are indirectly owned by our director, Graham Porter. For additional information about certain relationships and transactions between us and certain selling securityholders, please read Major Shareholders and Related Party Transactions in our Annual Report on Form 20-F.

### Item 3 Defaults Upon Senior Securities

None.

### Item 4 Mine Safety Disclosures

Not Applicable.

Item 5 Other Information

The Company's 2014 Annual Meeting of Shareholders was held on April 25, 2014. Briefly described below is each matter voted on at the meeting:

- (1) Election of the following individuals, nominated by the board of directors, to hold office as Class III Directors of the board of directors of the Company for a term of three years. There was no solicitation in opposition to the board's nominees for the directors listed in our definitive proxy statement dated March 13, 2014, and all such nominees were elected.

Name	Number of Shares Voted		
	For	Withheld	Broker Non-Votes
<b>John C. Hsu</b>	74,483,461	205,911	11,131,236
<b>David Lyall</b>	71,223,822	3,465,550	11,131,236
<b>Peter S. Shaerf</b>	74,479,996	208,476	11,132,136

The other members of the board of directors are: Class I Directors: Kyle R. Washington, Nicholas Pitts-Tucker and George H. Juetten (terms expiring at the 2015 annual shareholder meeting); and Class II Directors: Gerry Wang, Graham Porter, Harald H. Ludwig, and Graham Porter (terms expiring at the 2016 annual shareholder meeting).

- (2) Ratification of the appointment of KPMG LLP, Chartered Accountants as the Company's independent auditors for the fiscal year ending December 31, 2014. Total common stock voted was 85,457,865 in favor, 205,515 opposed, 138,969 abstained and 18,259 broker non-votes. The appointment of KPMG LLP as the independent auditors for the fiscal year ending December 31, 2014 was ratified.
- (3) Adoption of an amendment to the Company's articles of incorporation to declassify the board of directors and provide for the annual election of the members of the board of directors. Total common stock voted was 74,324,389 in favor, 237,004 opposed, 109,714 abstained and 11,149,501 broker non-votes. The adoption of an amendment to the Company's articles of incorporation was not passed.
- (4) Adoption of an amendment to the Company's articles of incorporation to increase the size of the board of directors from nine to 11 directors. Total common stock voted was 73,751,234 in favor, 790,008 opposed, 129,862 abstained and 11,149,504 broker non-votes. The adoption of an amendment to increase the size of the Company's board of directors was not passed.
- (5) Adoption of an amendment to the Company's articles of incorporation and bylaws to decrease the shareholder supermajority voting requirements to amend certain articles of incorporation and by-laws from 80% to 66 2/3%. Total common stock voted was 73,459,974 in favor, 1,019,349 opposed, 191,780 abstained and 11,149,505 broker non-votes. The adoption of an amendment to the Company's articles of incorporation and by-laws was not passed.

#### Item 6 Exhibits

None.