

Seaspan CORP  
Form 6-K  
November 07, 2016

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 three and nine months ended September 30, 2016

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)

Edgar Filing: Seaspan CORP - Form 6-K

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, or this Report, for the three and nine months ended September 30, 2016. This Report is hereby incorporated by reference into the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission, or the SEC, on May 30, 2008 on Form F-3D (Registration No. 333-151329), the Registration Statement of Seaspan Corporation filed with the SEC on March 31, 2011 on Form S-8 (Registration No. 333-173207), the Registration Statement of Seaspan Corporation filed with the SEC on June 20, 2013 on Form S-8 (Registration No. 333-189493), the Registration Statement of Seaspan Corporation filed with the SEC on April 29, 2014 on Form F-3ASR (Registration No. 333-195571), the Registration Statement of Seaspan Corporation filed with the SEC on November 28, 2014 on Form F-3ASR (Registration No. 333-200639), the Registration Statement of Seaspan Corporation filed with the SEC on November 28, 2014 on Form S-8 (Registration No. 333-200640), Registration Statement of Seaspan Corporation filed with the SEC on March 12, 2015 on Form F-3D (Registration No. 333-202698), the Registration Statement of Seaspan Corporation filed with the SEC on May 23, 2016 on Form F-3 ASR (Registration No. 333-211545), the Registration Statement of Seaspan Corporation filed with the SEC on June 24, 2016 on Form S-8 (Registration No. 333-212230).

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: November 4, 2016 By: /s/ David Spivak  
David Spivak  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

EXHIBIT I

SEASPAN CORPORATION  
REPORT ON FORM 6-K FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

INDEX

|   |    |
|---|----|
| <u>PART I — FINANCIAL INFORMATION</u>   | 1  |
| <u>Item 1 — Interim Consolidated Financial Statements (Unaudited)</u>                                 | 1  |
| <u>Item 2 — Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | 25 |
| <u>Item 3 — Quantitative and Qualitative Disclosures About Market Risk</u>                            | 50 |
| <u>PART II — OTHER INFORMATION</u>  | 52 |
| <u>Item 1 — Legal Proceedings</u>   | 52 |
| <u>Item 1A — Risk Factors</u>   | 52 |
| <u>Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds</u>                           | 52 |
| <u>Item 3 — Defaults Upon Senior Securities</u>   | 53 |
| <u>Item 4 — Mine Safety Disclosures</u>   | 53 |
| <u>Item 5 — Other Information</u>   | 53 |
| <u>Item 6 — Exhibits</u>  | 53 |

Unless we otherwise specify, when used in this report on Form 6-K, or this Report, the terms “Seaspan”, the “Company”, “we”, “our” and “us” refer to Seaspan Corporation and its subsidiaries.

References to shipbuilders are as follows:

| Shipbuilder                                 | Reference     |
|---|---------------|
| CSBC Corporation, Taiwan                    | CSBC          |
| Jiangsu New Yangzi Shipbuilding Co., Ltd.   | New Jiangsu   |
| Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd. | Jiangsu Xinfu |
| HHIC-PHIL INC.                              | HHIC          |



References to customers are as follows:

| Customer  | Reference        |
|---|------------------|
| ANL Singapore Pte. Ltd. <sup>(1)</sup>                            | ANL              |
| China Shipping Container Lines (Asia) Co., Ltd. <sup>(2)(3)</sup> | CSCL Asia        |
| COSCO Container Lines Co., Ltd. <sup>(3)(4)</sup>                 | COSCON           |
| COSCO (Cayman) Mercury Co., Ltd. <sup>(5)</sup>                   | COSCO Mercury    |
| Hanjin Shipping Co., Ltd. <sup>(6)</sup>                          | Hanjin           |
| Hapag-Lloyd AG  | Hapag-Lloyd      |
| Hapag-Lloyd USA, LLC <sup>(7)</sup>                               | HL USA           |
| Kawasaki Kisen Kaisha Ltd. <sup>(8)</sup>                         | K-Line           |
| Maersk Line A/S <sup>(9)</sup>                                    | Maersk           |
| MSC Mediterranean Shipping Company S.A.                           | MSC              |
| Mitsui O.S.K. Lines, Ltd. <sup>(8)</sup>                          | MOL              |
| Orient Overseas Container Line Ltd.                               | OOCL             |
| Yang Ming Marine Transport Corp.                                  | Yang Ming Marine |
| Yang Ming (UK) Ltd. <sup>(10)</sup>                               | Yang Ming        |
| ZIM Integrated Shipping Services Ltd.                             | ZIM              |

<sup>(1)</sup> A subsidiary of CMA CGM S.A.

<sup>(2)</sup> A subsidiary of China Shipping Container Lines Co., Ltd., or CSCL.

<sup>(3)</sup> While we continue to charter our vessels to CSCL Asia and COSCON, CSCL Asia and COSCON merged their container shipping businesses in March 2016.

<sup>(4)</sup> A subsidiary of China COSCO Holdings Company Limited.

<sup>(5)</sup> A subsidiary of COSCO Container Lines Co., Ltd.

<sup>(6)</sup> Hanjin ceased to be a customer in October 2016. Please read “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operation—Significant Developments—Hanjin Shipping Bankruptcy”.

<sup>(7)</sup> A subsidiary of Hapag-Lloyd.

<sup>(8)</sup> On October 31, 2016, MOL, K-Line and Nippon Yusen Kabushiki Kaisha announced they will integrate their container shipping businesses under a new joint venture company. This is expected to be effective in April 2018.

<sup>(9)</sup> A subsidiary of A.P. Moeller-Maersk A/S.

<sup>(10)</sup> A subsidiary of Yang Ming Marine Transport Corp.

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, 2015, filed with the Securities and Exchange Commission, or the SEC, on March 10, 2016, or our 2015 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)

|   | September 30,<br>2016 | December 31,<br>2015 |
|---|-----------------------|----------------------|
| <b>Assets</b>   |                       |                      |
| Current assets:   |                       |                      |
| Cash and cash equivalents                               | \$ 538,476            | \$ 215,520           |
| Short-term investments                                  | 2,341                 | 3,415                |
| Accounts receivable (note 3) (note 4)                   | 27,143                | 24,065               |
| Loans to affiliate (note 3)                             | 75,041                | 219,649              |
| Prepaid expenses  | 39,021                | 39,731               |
| Gross investment in lease                               | 21,891                | 37,783               |
| Fair value of financial instruments (note 16)           | 11,451                | —                    |
|   | 715,364               | 540,163              |
| Vessels (note 5)  | 5,013,189             | 5,278,348            |
| Deferred charges (note 6)                               | 71,898                | 57,299               |
| Goodwill  | 75,321                | 75,321               |
| Other assets  | 114,970               | 89,056               |
| Fair value of financial instruments (note 16)           | —                     | 33,632               |
|   | \$ 5,990,742          | \$ 6,073,819         |
| <b>Liabilities and Shareholders' Equity</b>             |                       |                      |
| Current liabilities:                                    |                       |                      |
| Accounts payable and accrued liabilities                | \$ 74,024             | \$ 76,386            |
| Current portion of deferred revenue (note 7)            | 28,184                | 22,199               |
| Current portion of long-term debt (note 8)              | 428,245               | 285,783              |
| Current portion of other long-term liabilities (note 9) | 46,834                | 38,173               |
| Fair value of financial instruments (note 16)           | 28,754                | 1,260                |
|   | 606,041               | 423,801              |
| Deferred revenue (note 7)                               | 1,918                 | 2,730                |
| Long-term debt (note 8)                                 | 2,653,745             | 3,072,058            |
| Other long-term liabilities (note 9)                    | 662,823               | 462,161              |
| Fair value of financial instruments (note 16)           | 269,024               | 336,886              |
| Shareholders' equity:                                   |                       |                      |



Edgar Filing: Seaspan CORP - Form 6-K

Share capital (note 10):

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

32,751,629 shares issued and outstanding (2015 – 23,673,403)

Class A common shares; \$0.01 par value; 200,000,000 shares authorized;

|   |              |              |
|---|--------------|--------------|
| 105,647,158 shares issued and outstanding (2015 – 98,622,160) | 1,384        | 1,223        |
| Treasury shares   | (367 )       | (356 )       |
| Additional paid in capital                                    | 2,577,357    | 2,266,661    |
| Deficit   | (753,785 )   | (460,425 )   |
| Accumulated other comprehensive loss                          | (27,398 )    | (30,920 )    |
|   | 1,797,191    | 1,776,183    |
|   | \$ 5,990,742 | \$ 6,073,819 |

Commitments and contingencies (note 14)

Subsequent events (note 17)

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 |           | Nine Months Ended |           |
|--|--------------------|-----------|-------------------|-----------|
|  | September 30,      |           | September 30,     |           |
|  | 2016               | 2015      | 2016              | 2015      |
| Revenue  | \$224,875          | \$212,861 | \$664,712         | \$600,560 |
| Operating expenses:  |                    |           |                   |           |
| Ship operating   | 48,590             | 49,429    | 145,430           | 143,295   |
| Cost of services, supervision fees                           | 2,600              | —         | 7,800             | 1,300     |
| Depreciation and amortization                                | 52,701             | 51,528    | 166,053           | 150,478   |
| General and administrative                                   | 8,094              | 6,959     | 24,951            | 20,141    |
| Operating leases (note 9)                                    | 23,817             | 11,155    | 59,330            | 25,889    |
| Loss on disposal (note 5)                                    | 16,487             | —         | 16,487            | —         |
| Expenses related to customer bankruptcy (note 4)             | 18,883             | —         | 18,883            | —         |
| Vessel impairments (note 5)                                  | 202,775            | —         | 202,775           | —         |
|  | 373,947            | 119,071   | 641,709           | 341,103   |
| Operating earnings (loss)                                    | (149,072)          | 93,790    | 23,003            | 259,457   |
| Other expenses (income):                                     |                    |           |                   |           |
| Interest expense and amortization of deferred financing fees | 29,952             | 28,950    | 90,190            | 82,207    |
| Interest income  | (1,231 )           | (1,611 )  | (7,076 )          | (8,270 )  |
| Undrawn credit facility fees                                 | 810                | 758       | 1,963             | 2,465     |
| Refinancing expenses   | 1,190              | 1,616     | 1,962             | 3,920     |
| Change in fair value of financial instruments (note 16)      | (684 )             | 44,774    | 75,081            | 64,629    |
| Equity loss (income) on investment                           | 4,562              | (1,683 )  | 594               | (3,017 )  |
| Other expense (income)                                       | 363                | 496       | 770               | (5,656 )  |
|  | 34,962             | 73,300    | 163,484           | 136,278   |
| Net earnings (loss)  | \$(184,034)        | \$20,490  | \$(140,481)       | \$123,179 |
| Earnings (loss) per share (note 11):                         |                    |           |                   |           |
| Class A common share, basic and diluted                      | \$(1.86 )          | \$0.07    | \$(1.77 )         | \$0.83    |

See accompanying notes to interim consolidated financial statements.

## SEASPAN CORPORATION

## Interim Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(Expressed in thousands of United States dollars)

|   | Three months ended<br>September 30, |          | Nine Months Ended<br>September 30, |           |
|---|-------------------------------------|----------|------------------------------------|-----------|
|   | 2016                                | 2015     | 2016                               | 2015      |
| Net earnings (loss)   | \$(184,034)                         | \$20,490 | \$(140,481)                        | \$123,179 |
| Other comprehensive income:                                   |                                     |          |                                    |           |
| Amounts reclassified to net earnings (loss) during the period |                                     |          |                                    |           |
| relating to cash flow hedging instruments (note 16 (d))       | 1,414                               | 1,045    | 3,522                              | 3,320     |
| Comprehensive income (loss)                                   | \$(182,620)                         | \$21,535 | \$(136,959)                        | \$126,499 |

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Interim Consolidated Statements of Shareholders' Equity

(Unaudited)

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

Nine months ended September 30, 2016 and year ended December 31, 2015

|               | Number of<br>common<br>shares | Number of<br>preferred shares |           |           |          | Series |   |       | Common<br>shares | Preferred<br>shares | Treasury<br>shares | Additional<br>paid-in<br>capital | Deficit    | Accumulated<br>other<br>comprehensive<br>loss | Total<br>equity |
|---------------|-------------------------------|-------------------------------|-----------|-----------|----------|--------|---|-------|------------------|---------------------|--------------------|----------------------------------|------------|---|-----------------|
|               |                               | Class A                       | Series C  | Series D  | Series E | F      | G | H     |                  |                     |                    |                                  |            |   |                 |
| September 30, | 96,662,928                    | 13,665,531                    | 5,105,000 | 5,400,000 | —        | —      | — | \$967 | \$242            | \$(379)             | \$2,238,872        | \$(459,161)                      | \$(35,317) | \$1,747,133                                   |                 |
| December 31,  | —                             | —                             | —         | —         | —        | —      | — | —     | —                | —                   | —                  | 199,391                          | —          | 1,946,524                                     |                 |
| Comprehensive | —                             | —                             | —         | —         | —        | —      | — | —     | —                | —                   | —                  | —                                | 4,397      | 4,397   |                 |
| Loss on       | —                             | —                             | —         | —         | —        | —      | — | —     | —                | —                   | —                  | (144,553)                        | —          | (144,553)                                     |                 |
| Disposal      | —                             | —                             | —         | —         | —        | —      | — | —     | —                | —                   | —                  | (53,655)                         | —          | (53,655)                                      |                 |
| Transaction   | —                             | —                             | —         | —         | —        | —      | — | —     | —                | —                   | 1,310              | (1,310)                          | —          | —   |                 |
| Costs         | —                             | —                             | —         | —         | —        | —      | — | —     | —                | —                   | —                  | —                                | —          | —   |                 |
| Incurred      | —                             | —                             | —         | —         | —        | —      | — | —     | —                | —                   | —                  | —                                | —          | —   |                 |
| Dividend      | 2,138,653                     | —                             | —         | —         | —        | —      | — | 21    | —                | —                   | 38,841             | —                                | —          | 3,008,515                                     |                 |
| Redeemed      | 229,254                       | —                             | —         | —         | —        | —      | — | 2     | —                | —                   | 3,926              | —                                | —          | 3,008,515                                     |                 |
| Retirement    | —                             | —                             | —         | —         | —        | —      | — | —     | —                | —                   | —                  | —                                | —          | —   |                 |

ed  
ed

,  
share

on

l and  
stock

ed  
tion

|         |   |   |   |   |   |   |   |   |   |       |          |   |   |
|---------|---|---|---|---|---|---|---|---|---|-------|----------|---|---|
| 537,758 | — | — | — | — | — | — | 5 | — | — | 9,786 | (1,037 ) | — | 8 |
|---------|---|---|---|---|---|---|---|---|---|-------|----------|---|---|

ed,

g

|            |   |   |   |   |   |   |      |   |   |           |   |   |    |
|------------|---|---|---|---|---|---|------|---|---|-----------|---|---|----|
| (944,524 ) | — | — | — | — | — | — | (9 ) | — | — | (13,876 ) | — | — | (1 |
|------------|---|---|---|---|---|---|------|---|---|-----------|---|---|----|

ed,

g

|   |            |            |           |   |   |   |   |      |   |           |        |   |    |
|---|------------|------------|-----------|---|---|---|---|------|---|-----------|--------|---|----|
| — | (343,757 ) | (123,971 ) | (29,400 ) | — | — | — | — | (5 ) | — | (12,198 ) | (100 ) | — | (1 |
|---|------------|------------|-----------|---|---|---|---|------|---|-----------|--------|---|----|

shares

|          |   |   |   |   |   |   |   |   |    |   |   |   |   |
|----------|---|---|---|---|---|---|---|---|----|---|---|---|---|
| (1,909 ) | — | — | — | — | — | — | — | — | 23 | — | — | — | 2 |
|----------|---|---|---|---|---|---|---|---|----|---|---|---|---|

r 31,

|            |            |           |           |   |   |   |       |       |         |             |             |            |     |
|------------|------------|-----------|-----------|---|---|---|-------|-------|---------|-------------|-------------|------------|-----|
| 98,622,160 | 13,321,774 | 4,981,029 | 5,370,600 | — | — | — | \$986 | \$237 | \$(356) | \$2,266,661 | \$(460,425) | \$(30,920) | \$1 |
|------------|------------|-----------|-----------|---|---|---|-------|-------|---------|-------------|-------------|------------|-----|

See accompanying notes to consolidated financial statements.

SEASPAN CORPORATION

Interim Consolidated Statements of Shareholders' Equity (Continued)

(Unaudited)

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

Nine months ended September 30, 2016 and year ended December 31, 2015

|    | Number of<br>preferred shares<br>Series C | Series D  | Series E  | Series F  | Series G  | Series H  | Common<br>shares | Preferred<br>shares | Treasury<br>shares | Additional<br>paid-in<br>capital | Deficit     |
|----|---|-----------|-----------|-----------|-----------|-----------|------------------|---------------------|--------------------|----------------------------------|-------------|
| 60 | 13,321,774                                | 4,981,029 | 5,370,600 | —         | —         | —         | \$986            | \$237               | \$(356)            | \$2,266,661                      | \$(460,425) |
|    | —   | —         | —         | —         | —         | —         | —                | —                   | —                  | —                                | (140,481)   |
|    | —   | —         | —         | —         | —         | —         | —                | —                   | —                  | —                                | —           |
|    | —   | —         | —         | 5,600,000 | —         | —         | —                | 56                  | —                  | 139,944                          | —           |
|    | —   | —         | —         | —         | 7,800,000 | —         | —                | 78                  | —                  | 194,466                          | —           |
|    | —   | —         | —         | —         | —         | 9,000,000 | —                | 90                  | —                  | 224,910                          | —           |
| 8  | —   | —         | —         | —         | —         | —         | 68               | —                   | —                  | 99,457                           | —           |
|    | —   | —         | —         | —         | —         | —         | —                | —                   | —                  | (21,699)                         | —           |

Edgar Filing: Seaspan CORP - Form 6-K

|   |   |   |   |   |   |   |   |   |   |           |
|---|---|---|---|---|---|---|---|---|---|-----------|
| — | — | — | — | — | — | — | — | — | — | (113,287) |
|---|---|---|---|---|---|---|---|---|---|-----------|

|   |   |   |   |   |   |   |   |   |   |          |
|---|---|---|---|---|---|---|---|---|---|----------|
| — | — | — | — | — | — | — | — | — | — | (38,524) |
|---|---|---|---|---|---|---|---|---|---|----------|

|   |   |   |   |   |   |   |   |   |     |       |
|---|---|---|---|---|---|---|---|---|-----|-------|
| — | — | — | — | — | — | — | — | — | 116 | (116) |
|---|---|---|---|---|---|---|---|---|-----|-------|

|   |   |   |   |   |   |   |   |   |       |   |
|---|---|---|---|---|---|---|---|---|-------|---|
| — | — | — | — | — | — | 3 | — | — | 3,937 | — |
|---|---|---|---|---|---|---|---|---|-------|---|

|   |   |   |   |   |   |   |   |   |       |   |
|---|---|---|---|---|---|---|---|---|-------|---|
| — | — | — | — | — | — | 2 | — | — | 4,252 | — |
|---|---|---|---|---|---|---|---|---|-------|---|

|   |   |   |   |   |   |   |   |   |       |       |
|---|---|---|---|---|---|---|---|---|-------|-------|
| — | — | — | — | — | — | 3 | — | — | 6,517 | (952) |
|---|---|---|---|---|---|---|---|---|-------|-------|

|   |   |   |   |   |   |    |   |   |   |        |   |   |
|---|---|---|---|---|---|----|---|---|---|--------|---|---|
| ) | — | — | — | — | — | (6 | ) | — | — | (8,263 | ) | — |
|---|---|---|---|---|---|----|---|---|---|--------|---|---|

|     |              |           |           |           |           |           |         |       |         |             |             |
|-----|--------------|-----------|-----------|-----------|-----------|-----------|---------|-------|---------|-------------|-------------|
|     | (13,321,774) | —         | —         | —         | —         | —         | —       | (133) | —       | (332,941)   | —           |
| )   | —            | —         | —         | —         | —         | —         | —       | —     | (11)    | —           | —           |
| 158 | —            | 4,981,029 | 5,370,600 | 5,600,000 | 7,800,000 | 9,000,000 | \$1,056 | \$328 | \$(367) | \$2,577,357 | \$(753,785) |

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<br>September 30, |          | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|----------|------------------------------------|-----------|
|  | 2016                                | 2015     | 2016                               | 2015      |
| Cash from (used in):                               |                                     |          |                                    |           |
| Operating activities:                              |                                     |          |                                    |           |
| Net earnings (loss)                                | \$(184,034)                         | \$20,490 | \$(140,481)                        | \$123,179 |
| Items not involving cash:                          |                                     |          |                                    |           |
| Depreciation and amortization                      | 52,701                              | 51,528   | 166,053                            | 150,478   |
| Share-based compensation (note 12)                 | 1,986                               | 947      | 4,404                              | 2,961     |
| Amortization of deferred financing fees            | 3,385                               | 3,799    | 9,751                              | 10,390    |
| Amounts reclassified from other comprehensive loss |                                     |          |                                    |           |
| to interest expense                                | 1,166                               | 786      | 2,761                              | 2,503     |
| Unrealized change in fair value of financial       |                                     |          |                                    |           |
| instruments  | (20,921 )                           | 17,017   | 9,429                              | (18,390 ) |
| Refinancing expenses                               | 905                                 | 1,616    | 1,677                              | 3,920     |
| Equity loss (income) on investment                 | 4,562                               | (1,683 ) | 594                                | (3,017 )  |
| Operating leases                                   | (5,472 )                            | (2,733 ) | (13,788 )                          | (6,086 )  |
| Vessel impairments                                 | 202,775                             | —        | 202,775                            | —         |
| Expenses related to customer bankruptcy (note 4)   | 18,883                              | —        | 18,883                             | —         |
| Loss on disposal                                   | 16,487                              | —        | 16,487                             | —         |
| Other income                                       | —                                   | —        | —                                  | (6,600 )  |
| Other  | 7                                   | 1,771    | 51                                 | 6,145     |
| Changes in assets and liabilities:                 |                                     |          |                                    |           |
| Accounts receivable                                | (10,889 )                           | (6,155 ) | (18,062 )                          | (10,820 ) |
| Lease receivable                                   | 5,336                               | 5,336    | 15,892                             | 15,834    |
| Prepaid expenses                                   | (3,744 )                            | (2,746 ) | 339                                | (15,568 ) |
| Other assets and deferred charges                  | (2,836 )                            | (3,661 ) | (18,201 )                          | (16,174 ) |
| Accounts payable and accrued liabilities           | 3,909                               | (4,053 ) | (4,387 )                           | 10,726    |
| Deferred revenue                                   | 9,944                               | 636      | 5,173                              | (10,167 ) |
| Other long-term liabilities                        | 382                                 | (22 )    | 768                                | (78 )     |
| Fair value of financial instruments                | (27,616 )                           | —        | (27,616 )                          | —         |
| Cash from operating activities                     | 66,916                              | 82,873   | 232,502                            | 239,236   |
| Financing activities:                              |                                     |          |                                    |           |
| Common shares issued, net of issuance costs        | —                                   | —        | 96,034                             | —         |
| Preferred shares issued, net of issuance costs     | 294,073                             | —        | 541,736                            | —         |

Edgar Filing: Seaspan CORP - Form 6-K

|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Draws on credit facilities                            | —         | 142,500   | 220,485   | 338,075   |
| Repayment of credit facilities                        | (212,144) | (145,972) | (503,260) | (450,825) |
| Draws on other long-term liabilities                  | 99,600    | —         | 180,750   | 150,000   |
| Repayment of other long-term liabilities              | (6,225 )  | (5,869 )  | (18,408 ) | (15,723 ) |
| Common shares repurchased, including related expenses | —         | —         | (8,269 )  | —         |
| Preferred shares redeemed, including related expenses | (13 )     | —         | (333,074) | —         |
| Preferred shares repurchased                          | —         | (1,020 )  | —         | (1,020 )  |
| Financing fees  | (1,550 )  | (2,607 )  | (12,568 ) | (15,025 ) |
| Dividends on common shares                            | (38,284 ) | (36,105 ) | (109,347) | (69,533 ) |
| Dividends on preferred shares                         | (8,371 )  | (13,435 ) | (38,524 ) | (40,305 ) |
| Proceeds from sale-leaseback of vessels (note 9)      | 100,000   | 144,000   | 354,000   | 398,000   |
| Cash from financing activities                        | 227,086   | 81,492    | 369,555   | 293,644   |
| Investing activities:                                 |           |           |           |           |
| Expenditures for vessels                              | (106,755) | (148,297) | (322,291) | (540,626) |
| Short-term investments                                | 24        | 9,549     | 1,074     | (2,274 )  |
| Net proceeds from vessel disposal                     | 5,843     | —         | 5,843     | —         |
| Loans to affiliate (note 3)                           | (978 )    | (48,771 ) | (17,198 ) | (134,232) |
| Repayments of loans to affiliate (note 3)             | —         | 9,127     | 54,306    | 192,574   |
| Other assets  | (317 )    | (510 )    | (634 )    | (417 )    |
| Restricted cash                                       | —         | —         | (201 )    | —         |
| Cash used in investing activities                     | (102,183) | (178,902) | (279,101) | (484,975) |
| Increase (decrease) in cash and cash equivalents      | 191,819   | (14,537 ) | 322,956   | 47,905    |
| Cash and cash equivalents, beginning of period        | 346,657   | 264,197   | 215,520   | 201,755   |
| Cash and cash equivalents, end of period              | \$538,476 | \$249,660 | \$538,476 | \$249,660 |
| Supplemental cash flow information (note 13)          |           |           |           |           |

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

1. Significant accounting policies:

(a) Basis of presentation:

The accompanying interim financial information of Seaspan Corporation (the "Company") has been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), on a basis consistent with those followed in the December 31, 2015 audited annual consolidated financial statements except as indicated below. 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, 2015 annual consolidated financial statements filed with the Securities and Exchange Commission in the Company's 2015 Annual Report on Form 20-F.

Certain prior periods' information has been reclassified to conform with current financial statement presentation.

(b) Recently adopted accounting pronouncements:

Effective January 1, 2016, the Company retrospectively adopted, as required, Accounting Standards Update, or ASU, 2015-03, "Simplifying the Presentation of Debt Issuance Costs". ASU 2015-03 requires that debt issuance costs be presented as a direct deduction from the related debt liability rather than as a deferred asset. Amortization of the costs is reported as interest expense.

The impact on the interim consolidated statement of operations for the three and nine months ended September 30, 2015 was a reclassification of \$3,799,000 and \$10,390,000, respectively, from amortization of deferred charges to interest expense. There was no impact on net earnings.

The impact on the consolidated balance sheet at December 31, 2015 was a reduction of deferred financing fees of \$35,341,000 which was reclassified to reduce the current and long-term portions of long term debt by \$1,563,000 and \$27,791,000, respectively, and to reduce the current and long-term portions of other long-term liabilities by \$125,000 and \$5,862,000, respectively.

(c) Recent accounting developments:

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15, "Statement of Cash Flows". ASU 2016-15 provides guidance for eight specific cash flow issues including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from settlement of insurance claims, proceeds from settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 31,

2017. The Company is evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

7

---

SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

1. Significant accounting policies (continued):

(c) Recent accounting developments (continued):

In March 2016, the FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting”. ASU 2016-09 simplifies several aspects of accounting for employee share-based payment transactions, including accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statements of cash flows. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The Company is evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08, “Principal versus Agent Considerations (Reporting Revenue Gross versus Net)” which clarifies the implementation guidance related to the new revenue standard. An entity should evaluate whether it is the principal or the agent for each specified good or service promised in a contract with a customer and must focus on whether the entity has control of the goods or services before they are transferred to the customer. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company is evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases”, which requires lessees to recognize all leases, including operating leases, with a term greater than 12 months on the balance sheet, for the rights and obligations created by those leases. The accounting for lessors will remain largely unchanged from the existing accounting standards. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities”. ASU 2016-01 changes the income statement impact of equity investments held by an entity, and the recognition of changes in fair value of financial liabilities when the fair value option is elected. The standard does not apply to equity method investments or investments in consolidated subsidiaries. For entities that elect the fair value option for financial liabilities, the change in fair value that is attributable to instrument-specific credit risk must be recognized in other comprehensive income instead of net income. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

2. Acquisition of Two Greater China Intermodal Investments LLC Subsidiaries:

In June 2016, the Company acquired 100 percent of each of two Greater China Intermodal Investments LLC subsidiaries (“the GCI Subsidiaries”). Through the acquisition of the GCI Subsidiaries, the Company acquired two newbuilding 11000 TEU vessels scheduled for delivery in 2017 and their associated 17-year bareboat charters with

Edgar Filing: Seaspan CORP - Form 6-K

MSC Mediterranean Shipping Company S.A. (“MSC”) that will commence upon the delivery of the respective vessel. The Company assumed a total of approximately \$88,100,000 in remaining instalments under the shipbuilding contracts for these vessels.

The aggregate purchase price was \$107,500,000, which was settled by a reduction of the Company’s demand loan with Greater China Intermodal Investments LLC (“GCI”), its equity investee, and was allocated to the assets acquired as follows:

|                                  |           |
|----------------------------------|-----------|
| Vessels under construction       | \$90,802  |
| Other assets (bareboat charters) | 12,798    |
| Accounts receivable              | 3,900     |
| Assets acquired                  | \$107,500 |

## SEASPAN CORPORATION

## Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

## 3. Related party transactions:

(a) At September 30, 2016, the Company had \$75,041,000 (December 31, 2015 – \$219,649,000) due from GCI recorded as loans to affiliate. This amount includes the following:

• The Company had \$68,188,000 (December 31, 2015 – \$209,982,000) due from GCI for payments made in connection with vessels under construction that GCI will acquire pursuant to a right of first refusal. These loans bear interest at rates ranging from 5% to 6% per annum. The Company may request repayment of these loans with 45 days' notice. In June 2016, \$107,500,000 was repaid in connection with the purchase of the GCI Subsidiaries (note 2).

• The interest receivable on these amounts of \$6,853,000 (December 31, 2015 – \$9,667,000).

The Company also had \$7,221,000 (December 31, 2015 – \$4,530,000) due from GCI included in accounts receivable and \$2,040,000 (December 31, 2015 – \$1,500,000) due to GCI included in accounts payable and accrued liabilities.

The Company also had \$570,000 (December 31, 2015 – \$588,000) due from other related parties included in accounts receivable and \$639,000 (December 31, 2015 - \$265,000) due to other related parties included in accounts payable and accrued liabilities.

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

|                  | Three months ended |          | Nine Months |         |
|------------------|--------------------|----------|-------------|---------|
|                  | September 30,      |          | Ended       |         |
|                  | 2016               | 2015     | 2016        | 2015    |
| Fees incurred:   |                    |          |             |         |
| Arrangement fees | \$ 1,600           | \$ 1,452 | \$7,598     | \$6,755 |
| Transaction fees | 1,278              | 1,761    | 4,890       | 7,465   |
| Income earned:   |                    |          |             |         |
| Interest income  | 978                | 1,555    | 6,614       | 8,089   |
| Management fees  | 1,073              | 952      | 3,221       | 2,069   |
| Supervision fees | 2,600              | —        | 7,800       | 1,300   |

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

Arrangement fees are paid to a company controlled by one of our directors in connection with services associated with debt or lease financings and are generally recorded as deferred financing fees and amortized over the term of the related debt or lease. In addition, pursuant to a financial services agreement, the Company paid an advisory fee of 1% of the gross proceeds of the Series G preferred shares issued in August 2016.

Transaction fees are paid to the Company's chief executive officer in connection with services he provided related to newbuild contracts and purchase or sale contracts, and these fees are capitalized to vessels.

Arrangement fees and transaction fees are paid either in cash or, at the Company's discretion, a combination of cash and up to 50% in the Company's common shares (note 12(d)).

Interest income is earned on loans to affiliate.



## SEASPAN CORPORATION

## Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

3. Related party transactions (continued):

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

Management fees are earned from GCI for the management of GCI's vessels and are included in revenue.

Supervision fees are earned from GCI for the management of GCI's newbuild vessels and are included in revenue.

(c) The Company entered into leases with third parties for two vessels, the MOL Beyond, a 10000 TEU vessel, and the YM Window, a 14000 TEU vessel. The vessels are being leased from the third parties over a term of 11 or 12 years, with an option to purchase the vessels at either the nine or 9.5 year anniversary of the lease. The eight-year time charter contract with MOL for the MOL Beyond and the ten-year time charter contract with Yang Ming for the YM Window were novated to the Company from GCI for no consideration.

The Company recorded the fair value of the time charter contracts as an intangible asset of \$16,200,000 and the fair value of the bareboat charter contracts as other long-term liabilities of \$16,200,000. The intangible asset and the other long-term liabilities are being amortized over the term of the related time charters and bareboat charters as a reduction of revenue and operating lease expense, respectively.

4. Accounts receivable:

On August 31, 2016, Hanjin, one of the Company's customers, filed for bankruptcy in Korea. As a result of the bankruptcy filing, during the three and nine months ended September 30, 2016, the Company wrote off \$18,883,000, representing the total accounts receivable due from Hanjin as at August 31, 2016. The Company has not recorded any revenue from chartering vessels to Hanjin after September 1, 2016. As at September 30, 2016 the charter for the Hanjin Namu, a 10000 TEU vessel, had been cancelled and the vessel was returned to us. The charters for the other two 10000 TEU vessels and the Seaspan Efficiency remained in effect at September 30, 2016, but were subsequently terminated (note 17(e)).

5. Vessels:

| September 30, 2016         | Cost        | Accumulated depreciation | Net book value |
|----------------------------|-------------|--------------------------|----------------|
| Vessels                    | \$6,136,517 | \$ 1,424,007             | \$4,712,510    |
| Vessels under construction | 300,679     | —                        | 300,679        |
| Vessels                    | \$6,437,196 | \$ 1,424,007             | \$5,013,189    |

| December 31, 2015 | Cost        | Accumulated depreciation | Net book value |
|-------------------|-------------|--------------------------|----------------|
| Vessels           | \$6,149,625 | \$ 1,080,396             | \$5,069,229    |

Edgar Filing: Seaspan CORP - Form 6-K

|                            |             |              |             |
|----------------------------|-------------|--------------|-------------|
| Vessels under construction | 209,119     | —            | 209,119     |
| Vessels                    | \$6,358,744 | \$ 1,080,396 | \$5,278,348 |

During the three and nine months ended September 30, 2016, the Company capitalized interest costs of \$2,335,000 and \$5,384,000, respectively, (September 30, 2015 - \$1,229,000 and \$4,334,000) to vessels under construction.

In August 2016, the Company sold the Seaspan Excellence, a 2003-built 4600 TEU vessel for net sale proceeds of \$5,843,000 resulting in a loss on disposition of \$16,487,000.

## SEASPAN CORPORATION

## Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

## 5. Vessels (continued):

The Company performed an impairment test of its vessels at September 30, 2016 due to the continued weakness in current market rates and declines in the vessels' market values. The Company compared estimated undiscounted future cash flows expected to be generated by each vessel over its remaining useful life to its carrying value. For ten of our vessels less than 5000 TEU in size, the estimated undiscounted future cash flows were less than the vessel's carrying amount, therefore an impairment charge was recorded for the amount by which the net book value of the vessel exceeded its fair value. Fair value was calculated as the net present value of estimated future cash flows which approximate the estimated market value of each vessel.

As of September 30, 2016, the Company recorded non-cash vessel impairments of \$202,775,000 for ten vessels held for use, including four 4250 TEU, two 3500 TEU and four 2500 TEU vessels.

## 6. Deferred charges:

|                       | Dry-docking | Financing<br>fees | Total    |
|-----------------------|-------------|-------------------|----------|
| December 31, 2015     | \$ 42,774   | \$ 14,525         | \$57,299 |
| Cost incurred         | 19,561      | 6,080             | 25,641   |
| Amortization expensed | (9,783 )    | (1,259 )          | (11,042) |
| September 30, 2016    | \$ 52,552   | \$ 19,346         | \$71,898 |

## 7. Deferred revenue:

|                                       | September 30,<br>2016 | December 31,<br>2015 |
|---------------------------------------|-----------------------|----------------------|
| Deferred revenue on time charters     | \$ 27,420             | \$ 14,271            |
| Deferred interest on lease receivable | 114                   | 1,428                |
| Other deferred revenue                | 2,568                 | 9,230                |
| Deferred revenue                      | 30,102                | 24,929               |
| Current portion                       | (28,184 )             | (22,199 )            |
| Deferred revenue                      | \$ 1,918              | \$ 2,730             |



## SEASPAN CORPORATION

## Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

## 8. Long-term debt:

|                             | September 30,<br>2016 | December 31,<br>2015 |
|-----------------------------|-----------------------|----------------------|
| <b>Long-term debt:</b>      |                       |                      |
| Revolving credit facilities | \$ 979,803            | \$ 1,057,093         |
| Term loan credit facilities | 1,779,615             | 1,985,102            |
| Senior unsecured notes      | 345,000               | 345,000              |
| Deferred financing fees     | (22,428 )             | (29,354 )            |
| Long-term debt              | 3,081,990             | 3,357,841            |
| Current portion             | (428,245 )            | (285,783 )           |
| Long-term debt              | \$ 2,653,745          | \$ 3,072,058         |

In April 2016, the Company entered into a 364-day unsecured, revolving loan facility with various banks for up to \$150,000,000 to be used to fund vessels under construction and for general corporate purposes. In August 2016, the revolving loan facility was increased to \$160,000,000. The facility bears interest at LIBOR plus a margin.

During the nine months ended September 30, 2016, the Company refinanced two of its term loan facilities. As a result, the Company wrote-off deferred financing fees of approximately \$1,571,000 which is included in refinancing expenses.

At September 30, 2016, the one month LIBOR was 0.5% (December 31, 2015 – 0.3%) and the margins ranged between 0.5% and 1.3% (December 31, 2015 – 0.5% and 1.3%) for revolving credit facilities. The weighted average rate of interest, including the margin, was 1.1% at September 30, 2016 (December 31, 2015 – 0.9%). Interest payments are made monthly.

At September 30, 2016, the one month, three month and six month LIBOR was 0.5%, 0.8% and 1.2%, respectively (December 31, 2015 – 0.3%, 0.5% and 0.5%, respectively) and the margins ranged between 0.4% and 4.8% (December 31, 2015 – 0.4% and 4.8%) for term loan credit facilities.

For certain term loans with a total principal outstanding of \$94,253,000, interest is calculated based on the Export-Import Bank of Korea (KEXIM) rate plus 0.7% per annum.

The weighted average rate of interest, including the margin, was 3.1% at September 30, 2016 (December 31, 2015 – 3.0%) for term loan facilities. Interest payments are made in monthly, quarterly or semi-annual payments.

The security, prepayment terms and covenants for each of these credit facilities, except for unsecured loans, are consistent with those described in note 8(d) of the Company's December 31, 2015 annual consolidated financial statements.

## SEASPAN CORPORATION

## Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

## 9. Other long-term liabilities:

|   | September 30,<br>2016 | December 31,<br>2015 |
|---|-----------------------|----------------------|
| Long term obligations under capital lease | \$ 505,110            | \$ 342,767           |
| Deferred gain on sale-leasebacks          | 200,927               | 163,554              |
| Other                                     | 15,652                | —                    |
| Deferred financing fees                   | (12,032 )             | (5,987 )             |
| Other long-term liabilities               | 709,657               | 500,334              |
| Current portion                           | (46,834 )             | (38,173 )            |
| Other long-term liabilities               | \$ 662,823            | \$ 462,161           |

(a) In May 2016, the Company entered into financing arrangements with an Asian-based leasing company to finance five 11000 TEU newbuilding vessels for \$420,750,000. Under the arrangement, the Company will receive pre-delivery financing and at delivery will sell and lease the vessels back over a 17 year term. At the end of the lease term, the Company is obligated to purchase the vessels at a pre-determined purchase price. The vessels are recorded as assets and the lease obligations are recorded as other long-term liabilities. The lease financing bears interest at LIBOR plus a margin.

(b) In March and May 2016, the Company entered into sale-leaseback transactions with Asian special purpose companies, or SPCs, for one 10000 TEU vessel, the MOL Benefactor, and one 14000 TEU vessel, the YM Width. The sale-leaseback transactions provided total gross proceeds of \$254,000,000 upon delivery of the vessels. Under the transactions, the Company sold the vessels to the SPCs and leased the vessels back from the SPCs over a term of 11 or 12 years, with an option to purchase the vessel at the nine year or nine year and six month anniversary of the lease for a pre-determined fair value purchase price.

In September 2016, the Company entered into a sale-leaseback transaction with SPCs for one 10000 TEU vessel, the Maersk Genoa, for gross proceeds of \$100,000,000. Under the transaction, the Company sold the vessel to the SPCs and leased the vessel back from the SPCs over a term of nine years, with an option to purchase the vessel at the end of the lease term for a pre-determined fair value purchase price. If the purchase option is not exercised, the lease term may be extended for an additional two years, at the option of the SPCs.

The sale of these three vessels resulted in a deferred gain totaling approximately \$51,689,000 which is being recorded as a reduction of the related operating lease expense over the 11 or 12 year lease term.

## 10. Share capital:

(a) Common shares:

Edgar Filing: Seaspan CORP - Form 6-K

In April 2015, the Company renewed the Rule 10b5-1 repurchase plan for up to \$50,000,000 of its Class A common shares. During the three and nine months ended September 30, 2016, the Company repurchased nil and 564,270 Class A common shares, respectively, for approximately nil and \$8,269,000, respectively. This plan was cancelled in May 2016.

In May 2016, the Company issued 6,770,408 Class A common shares at a price of \$14.70 per share for gross proceeds of \$99,525,000.



## SEASPAN CORPORATION

## Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

## 10. Share capital (continued):

## (b) Preferred shares:

At September 30, 2016, the Company had the following preferred shares outstanding:

| Series | Shares     |           | Liquidation preference |                   |
|--------|------------|-----------|------------------------|-------------------|
|        | Authorized | Issued    | September 30, 2016     | December 31, 2015 |
| A      | 315,000    | —         | \$—                    | \$—               |
| B      | 260,000    | —         | —                      | —                 |
| C      | 40,000,000 | —         | —                      | 333,044           |
| D      | 20,000,000 | 4,981,029 | 124,526                | 124,526           |
| E      | 15,000,000 | 5,370,600 | 134,265                | 134,265           |
| F      | 20,000,000 | 5,600,000 | 140,000                | —                 |
| G      | 15,000,000 | 7,800,000 | 195,000                | —                 |
| H      | 15,000,000 | 9,000,000 | 225,000                | —                 |
| R      | 1,000,000  | —         | —                      | —                 |

- (i) In June 2016, the Company redeemed 13,321,774 of its Series C preferred shares, representing all of the issued and outstanding Series C preferred shares, at \$25.00 per share for a total of approximately \$333,074,000 including related expenses.
- (ii) In May 2016, the Company issued 5,600,000 Series F preferred shares for gross proceeds of \$140,000,000. The Series F preferred shares can be converted to Class A common shares at a conversion price of \$18.00 per share. The dividend rate is initially set at 6.95%, but will increase by 1% annually after the fifth anniversary date to a maximum of 10.5% by the ninth anniversary date, or will increase to 10.5% on January 1, 2018 if we do not acquire all of the membership interests in GCI or all or substantially all of the assets of GCI by December 31, 2017. The Company has the right to call the Series F preferred shares at par plus any accumulated and unpaid dividends any time after the dividend increases above 6.95%.
- (iii) In June 2016, the Company issued 4,600,000 Series G preferred shares for gross proceeds of \$115,000,000. In August 2016, the Company issued an additional 3,200,000 Series G preferred shares for gross proceeds of \$80,000,000 including accrued dividends to August 25, 2016. The Series G preferred shares were issued for cash and pay cumulative quarterly dividends at a rate of 8.20% per annum. At any time on or after June 16, 2021, the Series G 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 G preferred shares are not convertible into common shares and are not redeemable at the option of the holder.

(iv) In August 2016, the Company issued 9,000,000 Series H preferred shares for gross proceeds of \$225,000,000. The Series H preferred shares were issued for cash and pay cumulative quarterly dividends at a rate of 7.875% per annum. At any time on or after August 11, 2021, the Series H 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 H 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 nine months ended September 30, 2016 and 2015

(Unaudited)

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

## 11. Earnings per share ("EPS"):

The Company applies the if-converted method to determine the earnings per share impact for the convertible Series F preferred shares.

|                                 | Three months ended September 30, 2016 |               |            | Three months ended September 30, 2015 |               |           |
|---------------------------------|---------------------------------------|---------------|------------|---------------------------------------|---------------|-----------|
|                                 | Earnings                              | Shares        | Per share  | Earnings                              | Shares        | Per share |
|                                 | (numerator)                           | (denominator) | amount     | (numerator)                           | (denominator) | amount    |
| Net earnings (loss)             | \$ (184,034)                          |               |            | \$ 20,490                             |               |           |
| Less preferred share dividends: |                                       |               |            |                                       |               |           |
| Series C                        | —                                     |               |            | (8,422 )                              |               |           |
| Series D                        | (2,475 )                              |               |            | (2,537 )                              |               |           |
| Series E                        | (2,769 )                              |               |            | (2,784 )                              |               |           |
| Series F                        | (2,433 )                              |               |            | —                                     |               |           |
| Series G                        | (3,014 )                              |               |            | —                                     |               |           |
| Series H                        | (2,412 )                              |               |            | —                                     |               |           |
| Series C preferred share        |                                       |               |            |                                       |               |           |
| repurchases                     | —                                     |               |            | (22 )                                 |               |           |
| Basic EPS:                      |                                       |               |            |                                       |               |           |
| Earnings (loss) attributable to |                                       |               |            |                                       |               |           |
| common shareholders             | \$ (197,137)                          | 106,000,000   | \$ (1.86 ) | \$ 6,725                              | 99,769,000    | \$ 0.07   |
| Effect of dilutive securities:  |                                       |               |            |                                       |               |           |
| Share-based compensation        | —                                     | —             |            | —                                     | 59,000        |           |
| Diluted EPS <sup>(1)</sup> :    |                                       |               |            |                                       |               |           |
| Earnings (loss) attributable to |                                       |               |            |                                       |               |           |
| common shareholders             | \$ (197,137)                          | 106,000,000   | \$ (1.86 ) | \$ 6,725                              | 99,828,000    | \$ 0.07   |



## SEASPAN CORPORATION

## Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

## 11. Earnings per share ("EPS") (continued):

|                                 | Nine Months Ended September 30,<br>2016 |               |              | Nine Months Ended September 30,<br>2015 |               |              |
|---------------------------------|---|---------------|--------------|---|---------------|--------------|
|                                 | Earnings                                | Shares        | Per<br>share | Earnings                                | Shares        | Per<br>share |
|                                 | (numerator)                             | (denominator) | amount       | (numerator)                             | (denominator) | amount       |
| Net earnings (loss)             | \$ (140,481)                            |               |              | \$ 123,179                              |               |              |
| Less preferred share dividends: |   |               |              |   |               |              |
| Series C                        | (14,420 )                               |               |              | (25,285 )                               |               |              |
| Series D                        | (7,425 )                                |               |              | (7,611 )                                |               |              |
| Series E                        | (8,307 )                                |               |              | (8,352 )                                |               |              |
| Series F                        | (3,622 )                                |               |              | —                                       |               |              |
| Series G                        | (3,407 )                                |               |              | —                                       |               |              |
| Series H                        | (2,412 )                                |               |              | —                                       |               |              |
| Series C preferred share        |   |               |              |   |               |              |
| repurchases                     | —                                       |               |              | (22 )                                   |               |              |
| Basic EPS:                      |   |               |              |   |               |              |
| Earnings (loss) attributable to |   |               |              |   |               |              |
| common shareholders             | \$ (180,074)                            | 101,763,000   | \$ (1.77 )   | \$ 81,909                               | 98,998,000    | \$ 0.83      |
| Effect of dilutive securities:  |   |               |              |   |               |              |
| Share-based compensation        | —                                       | —             |              | —                                       | 57,000        |              |
| Diluted EPS <sup>(1)</sup> :    |   |               |              |   |               |              |
| Earnings (loss) attributable to |   |               |              |   |               |              |
| common shareholders             | \$ (180,074)                            | 101,763,000   | \$ (1.77 )   | \$ 81,909                               | 99,055,000    | \$ 0.83      |

(1) The unexercised share-based compensation awards and convertible Series F preferred shares are not included in the computation of diluted EPS for the three and nine months ended September 30, 2016, because its effects are anti-dilutive for the period.

## 12. 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 nine months ended September 30, 2016 is presented below:

|                    | Restricted shares |                    | Phantom share units |                    | Stock appreciation rights |                    | Restricted stock units |                    |
|--------------------|-------------------|--------------------|---------------------|--------------------|---------------------------|--------------------|------------------------|--------------------|
|                    | Number of shares  | W.A. grant date FV | Number of units     | W.A. grant date FV | Number of SARs            | W.A. grant date FV | Number of units        | W.A. grant date FV |
| December 31, 2015  | 44,947            | \$ 18.39           | 647,001             | \$ 14.73           | 5,876,811                 | \$ 2.30            | 32,828                 | \$ 21.03           |
| Granted            | 56,861            | 15.48              | 60,000              | 18.84              | —                         | —                  | 528,232                | 16.57              |
| Vested             | (44,947)          | 18.39              | —                   | —                  | —                         | —                  | (37,374)               | 18.56              |
| Exchanged          | —                 | —                  | (70,000)            | 19.91              | —                         | —                  | —                      | —                  |
| Expired            | —                 | —                  | —                   | —                  | (1,047,460)               | 2.09               | —                      | —                  |
| Cancelled          | —                 | —                  | —                   | —                  | —                         | —                  | (299)                  | 20.21              |
| September 30, 2016 | 56,861            | \$ 15.48           | 637,001             | \$ 14.55           | 4,829,351                 | \$ 2.31            | 523,387                | \$ 16.71           |

At September 30, 2016, there was \$16,501,000 (December 31, 2015 – \$1,956,000) of total unamortized compensation costs relating to unvested share-based compensation awards which are expected to be amortized over a weighted average period of 27 months.

At September 30, 2016, there are 1,253,635 (December 31, 2015 – 1,418,715) shares remaining for issuance under the Company's Stock Incentive Plan.

SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

12. Share-based compensation (continued):

(a) Restricted shares and phantom share units:

Class A common shares are issued on a one for one basis in exchange for the cancellation of vested restricted shares and phantom share units. The restricted shares generally vest over one year and the phantom share units generally vest over three years. During the three and nine months ended September 30, 2016, the fair value of restricted shares vested was nil and \$827,000, respectively, (September 30, 2015 – nil and \$1,028,000).

As vested outstanding phantom share units are only exchanged for common shares upon written notice from the holder, the phantom share units that are exchanged for common shares may include units that vested in prior periods. At September 30, 2016, 537,001 (December 31, 2015 – 547,001) of the outstanding phantom share units were vested and available for exchange by the holder.

(b) Restricted stock units:

Under the Company's Cash and Share Bonus Plan, the Company grants restricted stock units to eligible participants. 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 amortized over the three-year vesting period. Upon vesting of the restricted stock units, the participant will receive Class A common shares.

In May 2016, 479,714 restricted stock units were granted to the Company's chief executive officer. Each equal tranche will vest if the executive is employed with the Company on May 31 of each year over the next five years, commencing on May 31, 2017.

(c) Performance stock units:

In May 2016, 786,147 performance stock units were granted to the Company's chief executive officer. The weighted average grant date fair value was \$10.23 per unit. Each tranche will vest when both its time and performance vesting hurdles are met. Time vesting will occur for a given tranche of performance stock units if the executive is employed with the Company on May 31 of each year over the next five years, commencing on May 31, 2017. Performance vesting will occur for a given tranche of performance stock units if the stock price of a Class A common share equals or exceeds the target performance vesting share price for such tranche for any 20 consecutive trading days on or before May 31, 2021. Upon vesting of the performance stock units, the executive will receive Class A common shares.

The assumptions used in the Monte Carlo model to calculate the grant date fair value of the performance stock units were as follows:

|                        |         |
|------------------------|---------|
|                        | 3.03    |
| Average expected term  | years   |
| Expected volatility    | 32.25 % |
| Dividend yield         | 8.95 %  |
| Average risk free rate | 1.38 %  |



## SEASPAN CORPORATION

## Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

## 12. Share-based compensation (continued):

## (c) Performance stock units (continued):

The following table provides information about the performance stock units granted:

| Tranche | Number<br>of PSUs | Performance<br>Vesting<br>Price | Time Vesting           |
|---------|-------------------|---------------------------------|------------------------|
|         |                   | per Share                       | (continued employment) |
| 1       | 127,316           | \$ 17.60                        | May 31, 2017           |
| 2       | 140,806           | \$ 18.48                        | May 31, 2018           |
| 3       | 155,212           | \$ 19.40                        | May 31, 2019           |
| 4       | 171,612           | \$ 20.37                        | May 31, 2020           |
| 5       | 191,201           | \$ 21.39                        | May 31, 2021           |
|         | 786,147           |                                 |                        |

During the three and nine months ended September 30, 2016, the Company amortized \$1,986,000 and \$4,254,000, respectively, (September 30, 2015 - \$797,000 and \$2,511,000) in compensation cost related to the above share-based compensation awards.

## (d) Other share-based awards:

During the three and nine months ended September 30, 2016, the Company incurred \$1,600,000 and \$7,598,000, respectively, (September 30, 2015 - \$1,452,000 and \$6,755,000) in arrangement fees that were primarily capitalized to deferred financing fees of which \$800,000 and \$3,799,000, respectively, (September 30, 2015 - \$726,000 and \$3,377,000) are settled in Class A common shares.

During the three and nine months ended September 30, 2016, the Company incurred \$1,278,000 and \$4,890,000, respectively, (September 30, 2015 - \$1,761,000 and \$7,465,000) in transaction fees that were capitalized to vessels of which \$639,000 and \$2,445,000, respectively, (September 30, 2015 - \$881,000 and \$3,732,000) are settled in Class A common shares.

During the three and nine months ended September 30, 2016, the Company also amortized \$150,000 and \$450,000, respectively, (September 30, 2015 - \$150,000 and \$450,000) in share-based compensation expenses related to the accrued portion of a performance based bonus that may be settled in stock-based awards in future periods. The

number of shares issued under each of these arrangements is based on volume weighted average share prices as defined in the underlying agreements.

## SEASPAN CORPORATION

## Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

## 13. Supplemental cash flow information:

|  | Three Months<br>Ended<br>September 30, |          | Nine Months<br>Ended<br>September 30, |          |
|--|--|----------|---------------------------------------|----------|
|  | 2016                                   | 2015     | 2016                                  | 2015     |
| Interest paid                                  | \$28,326                               | \$25,738 | \$83,406                              | \$73,995 |
| Interest received                              | 254                                    | 6,967    | 4,969                                 | 9,495    |
| Undrawn credit facility fee paid               | 1,025                                  | 705      | 2,091                                 | 2,198    |
| Non-cash transactions:                         |  |          |                                       |          |
| Long-term debt for vessels under               |  |          |                                       |          |
| construction                                   | —                                      | —        | —                                     | 77,625   |
| Dividend reinvestment                          | 1,248                                  | 1,078    | 3,940                                 | 37,751   |
| Arrangement and transaction fees settled       |  |          |                                       |          |
| in shares                                      | 2,112                                  | 1,607    | 5,770                                 | 7,368    |
| Acquisition of time charter contracts through  |  |          |                                       |          |
| novation from GCI (note 3(c))                  | —                                      | —        | 16,200                                | —        |
| Recognition of fair value of bareboat charters |  |          |                                       |          |
| (note 3(c))                                    | —                                      | —        | 16,200                                | —        |
| Acquisition of GCI Subsidiaries through        |  |          |                                       |          |
| settlement of loans to affiliate               | —                                      | —        | 107,500                               | —        |
| Capital contribution through settlement of     |  |          |                                       |          |
| loans to affiliate                             | —                                      | —        | —                                     | 19,444   |

## 14. Commitments and contingencies:

(a) At September 30, 2016, the minimum future revenues to be received on committed time charter party agreements and interest income from sales-type capital leases and direct financing leases are approximately:

Edgar Filing: Seaspan CORP - Form 6-K

|                   |             |
|-------------------|-------------|
| Remainder of 2016 | \$211,692   |
| 2017              | 795,932     |
| 2018              | 791,699     |
| 2019              | 764,032     |
| 2020              | 721,629     |
| Thereafter        | 2,108,386   |
|                   | \$5,393,370 |

The minimum future revenues are based on 100% utilization, relate to committed time charter party agreements currently in effect, assume no renewals or extensions, and exclude revenue for two 10000 TEU vessels, the Hanjin Buddha and Hanjin Tabul, as the time charters were terminated subsequent to September 30, 2016.

(b) At September 30, 2016, based on the contractual delivery dates, the Company has outstanding commitments of \$468,982,000 in 2017 for installment payments for vessels under construction.

## SEASPAN CORPORATION

## Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

## 14. Commitments and contingencies (continued):

(c) At September 30, 2016, the commitment under operating leases for vessels is \$1,364,856,000 for 2016 to 2028 and office space is \$10,447,000 for 2016 to 2024. Total commitments under these leases are as follows:

|                   |             |
|-------------------|-------------|
| Remainder of 2016 | \$32,398    |
| 2017              | 128,893     |
| 2018              | 130,004     |
| 2019              | 131,282     |
| 2020              | 132,530     |
| Thereafter        | 820,196     |
|                   | \$1,375,303 |

## 15. Concentrations:

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

|                          | Three months ended |           | Nine Months Ended |           |
|--------------------------|--------------------|-----------|-------------------|-----------|
|                          | September 30,      |           | September 30,     |           |
|                          | 2016               | 2015      | 2016              | 2015      |
| COSCON <sup>(1)</sup>    | \$76,548           | \$76,000  | \$223,531         | \$224,216 |
| CSCL Asia <sup>(1)</sup> | 31,580             | 31,843    | 95,139            | 93,822    |
| MOL                      | 30,972             | 26,769    | 86,814            | 78,232    |
| Yang Ming                | 33,591             | 18,853    | 87,921            | 27,090    |
| Hapag-Lloyd              | 16,006             | 24,581    | 56,035            | 76,085    |
| Other                    | 36,178             | 34,815    | 115,272           | 101,115   |
|                          | \$224,875          | \$212,861 | \$664,712         | \$600,560 |

<sup>(1)</sup> While the Company continues to charter the vessels to CSCL Asia and COSCON, CSCL Asia and COSCON merged their container shipping business in March 2016.

SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

16. 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 September 30, 2016, the fair value of the Company's revolving and term loan credit facilities, excluding deferred financing fees is \$2,609,900,000 (December 31, 2015 - \$2,999,746,000) and the carrying value is \$2,759,418,000 (December 31, 2015 - \$3,042,195,000). As of September 30, 2016, the fair value of the Company's other long-term liabilities, excluding deferred gains, deferred financing fees and Other is \$504,590,000 (December 31, 2015 - \$346,138,000) and the carrying value is \$505,110,000 (December 31, 2015 - \$342,767,000). The fair value of the revolving and term loan credit facilities and other long-term liabilities, excluding deferred gains and deferred financing fees, are estimated based on expected principal repayments and interest, discounted by relevant forward rates plus a margin appropriate to the credit risk of the Company. Therefore, the Company has categorized the fair value of these financial instruments as Level 3 in the fair value hierarchy.

As of September 30, 2016, the fair value of the Company's senior unsecured notes is \$350,520,000 (December 31, 2015 - \$335,340,000) and the carrying value is \$345,000,000 (December 31, 2015 - \$345,000,000). The fair value of senior unsecured notes is calculated based on a quoted price that is readily and regularly available in an active market. Therefore, the Company has categorized the fair value of these financial instruments as Level 1 in the fair value hierarchy.

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.

The Company's vessels held for use with a carrying amount of \$419,413,000 were written down to their fair value of \$216,638,000 resulting in a non-cash impairment charge of \$202,775,000 which was included in earnings for the three and nine months ended September 30, 2016. The estimated fair value, measured on a non-recurring basis, of the Company's vessels held for use is calculated based on discounted cash flows using inputs, other than quoted prices in active markets, that are observable either directly or indirectly. Therefore the Company has categorized the fair value of the vessels as Level 2 in the fair value hierarchy.



## SEASPAN CORPORATION

## Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

## 16. Financial instruments (continued):

## (b) Interest rate derivative financial instruments:

As of September 30, 2016, the Company had the following outstanding interest rate derivatives:

| Fixed per annum swapped for LIBOR | Notional amount as of September 30, 2016 | Maximum of notional amount <sup>(1)</sup> | Effective date    | Ending date       |                               |
|-----------------------------------|--|---|-------------------|-------------------|-------------------------------|
| 5.6400%                           | \$ 670,829                               | \$ 670,829                                | August 31, 2007   | August 31, 2017   | <sup>(2)</sup>                |
| 5.4200%                           | 428,525                                  | 428,525                                   | September 6, 2007 | May 31, 2024      |                               |
| 5.9450%                           | 135,634                                  | 135,634                                   | January 30, 2014  | May 31, 2019      |                               |
| 5.6000%                           | 155,600                                  | 155,600                                   | June 23, 2010     | December 23, 2021 | <sup>(2)</sup>                |
| 5.2600%                           | 87,100                                   | 87,100                                    | July 3, 2006      | February 26, 2021 | <sup>(2)</sup> <sup>(3)</sup> |
| 5.1700%                           | 24,000                                   | 24,000                                    | April 30, 2007    | May 29, 2020      | <sup>(3)</sup>                |
| 5.8700%                           | —  | 620,390                                   | August 31, 2017   | November 28, 2025 |                               |

<sup>(1)</sup>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.

<sup>(2)</sup>Prospectively de-designated as an accounting hedge in 2008.

<sup>(3)</sup>Swap counterparty has an early termination right in 2017 which may require the Company to settle the swap at the early termination date. The fair value liability as of September 30, 2016 for these swaps is \$14,956,000.

In addition, the Company has entered into two swaption agreements (Swaption A and Swaption B) with a bank. Under Swaption A, the Company has the option of entering into an interest rate swap on March 2, 2017 under which the Company would pay the bank a fixed rate of 0.50%, and receive a floating rate of 3-month LIBOR from the bank. Under Swaption B, the bank has the option of entering into an interest rate swap on March 2, 2017 under which the bank would pay the Company a fixed rate of 1.183%, and receive a floating rate of 3-month LIBOR from the Company. The interest rate swaps underlying both swaptions have notional amounts of \$200,000,000 and the same expiration dates. During the quarter ended September 30, 2016, the Company restructured the swaption agreements which resulted in an asset of \$11,300,000 to the Company.

During the quarter ended September 30, 2016, the Company paid \$27,616,000 related to swap terminations.



(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 Canadian dollar currency fluctuations. At September 30, 2016, the notional amount of the foreign exchange forward contracts is \$7,000,000 (December 31, 2015 - \$15,200,000) and the fair value asset is \$219,000 (December 31, 2015 – nil) and fair value liability is \$5,000 (December 31, 2015 – \$1,260,000).

Included in short-term investments is \$2,239,000 (December 31, 2015 - \$2,095,000) of restricted cash held as collateral for these foreign currency forward contracts.

## SEASPAN CORPORATION

## Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

## 16. Financial instruments (continued):

## (d) Fair value of asset and liability derivatives:

The following provides information about the Company's derivatives:

|   | September 30,<br>2016 | December 31,<br>2015 |
|---|-----------------------|----------------------|
| Fair value of financial instruments asset     | \$ 11,451             | \$ 33,632            |
| Fair value of financial instruments liability | 297,778               | 338,146              |

The following provides information about the effect of the master netting agreement:

|                        | Gross amounts<br>of recognized<br>assets and<br>September 30, 2016 | Amounts<br>subject to<br>master netting<br>agreement | Net<br>amount |
|------------------------|--|--|---------------|
| Derivative assets      | \$ 11,451  | \$ —   | \$ 11,451     |
| Derivative liabilities | 297,778  | —  | 297,778       |
| Net liability          | \$ (286,327 )  | \$ —   | \$ (286,327)  |

|                        | Gross amounts<br>of recognized<br>assets and<br>December 31, 2015 | Amounts<br>subject to<br>master netting<br>agreement | Net<br>amount |
|------------------------|---|--|---------------|
| Derivative assets      | \$ 33,632   | \$ 21,964  | \$ 11,668     |
| Derivative liabilities | 338,146   | 21,964   | 316,182       |
| Net liability          | \$ (304,514 )   | \$ —   | \$ (304,514)  |

Edgar Filing: Seaspan CORP - Form 6-K

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

|  | Three months ended<br>September 30, |             | Nine Months Ended<br>September 30, |             |
|--|-------------------------------------|-------------|------------------------------------|-------------|
|  | 2016                                | 2015        | 2016                               | 2015        |
| Gain (Loss) on derivatives recognized in net earnings:     |                                     |             |                                    |             |
| Change in fair value of financial instruments              | \$ 684                              | \$(44,774 ) | \$(75,081 )                        | \$(64,629 ) |
| Loss reclassified from AOCL to net earnings <sup>(1)</sup> |                                     |             |                                    |             |
| Interest expense   | (1,166 )                            | (786 )      | (2,761 )                           | (2,503 )    |
| Depreciation and amortization                              | (248 )                              | (259 )      | (761 )                             | (817 )      |

<sup>(1)</sup>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 \$2,311,000.

SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

17. Subsequent events:

- (a) In October 2016, the Company sold two 4800 TEU vessels for proceeds of \$5,000,000 per vessel to MSC pursuant to provisions of bareboat charter agreements entered into with MSC in 2011.
- (b) In October 2016, the Company entered into an agreement for the sale of the Seaspan Efficiency, a 2003-built 4600 TEU class containership, for recycling at an ISO certified recycling facility for gross proceeds of approximately \$6,400,000.
- (c) On October 11, 2016, the Company declared quarterly dividends of \$0.496875, \$0.515625, \$0.434375, \$0.512500 and \$0.432031 per Series D, Series E, Series F, Series G and Series H preferred shares, respectively, representing a total distribution of \$15,562,000. The dividends were paid on October 31, 2016 to all shareholders of record on October 28, 2016.
- (d) On October 11, 2016, the Company declared a quarterly dividend of \$0.375 per common share. The dividend was paid on October 31, 2016 to all shareholders of record as of October 20, 2016.
- (e) In October 2016, Hanjin terminated the charter agreements for the Hanjin Tabul, Hanjin Buddha and the Seaspan Efficiency in the course of Hanjin's bankruptcy proceeding.

## 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 September 30, 2016, we operated a fleet of 89 containerships and have entered into contracts for the purchase of an additional eight newbuilding containerships which have scheduled delivery dates through October 2017. Six of these newbuilding containerships 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 future. As of September 30, 2016, the average age of the 89 vessels in our operating fleet was approximately six years, on a TEU weighted basis.

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 September 30, 2016, the charters on the 89 vessels in our operating fleet had an average remaining term of approximately five years, on a TEU weighted basis, excluding the effect of charterers’ options to extend certain time charters.

Customers for our operating fleet as at September 30, 2016 were as follows:

#### Customers for Current Fleet

COSCON  
CSCL Asia  
Hanjin  
Hapag-Lloyd  
HL USA  
K-Line  
Maersk  
MOL  
MSC  
OOCL  
Yang Ming Marine  
ZIM

#### Customers for Additional Six Vessel

#### Deliveries Subject to Charter Contracts

MSC  
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 nine months ended September 30, 2016, we accepted delivery of two 10000 TEU vessels, the MOL Benefactor and Maersk Genoa, and one 14000 TEU vessel, the YM Width. The MOL Benefactor and Maersk Genoa were constructed at Jiangsu Xinfu and the YM Width was constructed at CSBC, in each case using our fuel efficient SAVER design.

In April 2016, we entered into a lease financing arrangement with third parties for one 10000 TEU newbuilding vessel, the MOL Beyond. The vessel is being leased from the third parties over a term of 11 years, with an option to purchase the vessel at the nine-year anniversary of the lease for a pre-determined fair value purchase price. We received the eight-year time charter contract with MOL for the MOL Beyond from GCI for no consideration.

In May 2016, we entered into a lease financing arrangement with third parties for one 14000 TEU newbuilding vessel, the YM Window. The vessel is being leased from the third parties over a term of 12 years, with an option to purchase the vessel at the 9.5-year anniversary of the lease for a pre-determined fair value purchase price. We received the 10-year time charter contract with Yang Ming for the YM Window from GCI for no consideration.

The additions to our operating fleet for the nine months ended September 30, 2016 are summarized below:

| Vessel Class   |       |                              |                  |                |
|----------------|-------|------------------------------|------------------|----------------|
| Vessel         | (TEU) | Length of Time Charter       | Charterer        | Delivery Date  |
| MOL Benefactor | 10000 | 8 years + one 2-year option  | MOL              | March 2016     |
| MOL Beyond     | 10000 | 8 years + one 2-year option  | MOL              | April 2016     |
| YM Window      | 14000 | 10 years + one 2-year option | Yang Ming Marine | May 2016       |
| YM Width       | 14000 | 10 years + one 2-year option | Yang Ming Marine | May 2016       |
| Maersk Genoa   | 10000 | 5 years + two 1-year option  | Maersk           | September 2016 |

### Vessel Acquisitions

In June 2016, we acquired two 11000 TEU newbuilding vessels from GCI for a total purchase price of \$195.6 million. These vessels will commence 17-year bareboat charters with MSC upon their deliveries scheduled in 2017. MSC is obligated to purchase the vessels for a pre-determined amount at the end of their respective charters. These two vessels are sister ships to our three 11000 TEU vessels also scheduled for delivery in 2017 and chartered to MSC.

### Vessel Disposal

In August 2016, we sold a 4600 TEU vessel, the Seaspan Excellence, to a ship recycler for net sale proceeds of approximately \$5.8 million, resulting in a loss on disposition of approximately \$16.5 million. In connection with the sale, we repaid the outstanding principal balance of a debt facility used to finance the acquisition of the Seaspan Excellence and another 4600 TEU vessel, the Seaspan Efficiency.

### Equity Financings

In May 2016, we issued to a third-party Asian investor 5,600,000 of our 6.95% Series F preferred shares at a price of \$25.00 per share, for an aggregate purchase price of \$140.0 million. The holder of the Series F preferred shares has the

right to convert these shares into common shares at a conversion price of \$18.00 per share. The dividend rate is initially set at 6.95%, but will increase by 1% annually after the fifth anniversary date up to a maximum of 10.5% by the ninth anniversary date, or will increase to 10.5% on January 1, 2018 if we do not acquire all of the membership interests in Greater China Intermodal Investments LLC, (or GCI) or all or substantially all of the assets of GCI by December 31, 2017. We have the right to call the Series F preferred shares at par plus any accumulated and unpaid dividends at any time after the dividend increases above 6.95%.



In May 2016, we issued 5,750,000 of our Class A common shares in a public offering for net proceeds of approximately \$81.1 million before expenses. Concurrently with the closing of the public offering, our chief executive officer and affiliates of one of our directors and of Dennis Washington purchased directly from us, in a private placement and at the public offering price, an aggregate of \$15.0 million of additional Class A common shares.

In June 2016, we issued in a registered public offering 4,600,000 of our 8.2% Series G preferred shares at a price of \$25.00 per share for net proceeds of approximately \$111.4 million before expenses. In August 2016, we issued an additional 3,200,000 Series G preferred shares in a follow-on public offering at a price of \$25.00 per share, for net proceeds of approximately \$76.5 million before expenses. Dividends are payable on the Series G preferred shares at a rate of 8.2% per annum on the stated liquidation preference of \$25.00 per share.

In August 2016, we issued 9,000,000 of our 7.875% Series H preferred shares in a public offering at a price of \$25.00 per share, for net proceeds of approximately \$217.7 million before expenses. Dividends are payable on the Series H preferred shares at a rate of 7.875% per annum on the stated liquidation preference of \$25.00 per share.

#### Redemption of Series C Preferred Shares

In June 2016, we redeemed 13,321,774 of our Series C preferred shares, representing all of the issued and outstanding Series C preferred shares, using net proceeds from the Series F preferred share issuance, the Class A common share public offering and concurrent private placement and existing liquidity.

#### Revolving Credit Facility

In April 2016, we completed the renewal of our 364-day unsecured, revolving loan facility with various banks to a total commitment of \$150.0 million. In August 2016, we increased this loan facility by \$10.0 million to a total commitment of \$160.0 million. The facility includes features providing for a further commitment of \$20.0 million, enabling a total facility size of up to \$180.0 million. The revolving loan facility bears interest at LIBOR plus a margin.

#### Lease Financings

In May 2016, we entered into 17-year financing arrangements with an Asian-based leasing company, consisting of leases with commitments totaling approximately \$253 million to fund the construction and delivery of three 11000 TEU newbuilding containerships and leases with commitments totaling approximately \$168 million to fund the construction and delivery of two 11000 TEU containerships. These financing arrangements bear interest at LIBOR plus a margin. The five 11000 TEU newbuilding containerships will commence 17-year bareboat charters upon their deliveries, scheduled during 2017.

In March, May and September 2016, we entered into lease financing arrangements with special purpose companies, or the SPCs, for the MOL Benefactor, YM Width and Maersk Genoa for total gross proceeds of \$354.0 million. Under the leases for the MOL Benefactor and the YM Width, we sold the vessels to the SPCs and leased the vessels back over a term of 11 or 12 years, with an option to purchase the vessels at the nine or 9.5-year anniversary for a pre-determined fair value purchase price. Under the lease for the Maersk Genoa, we sold the vessel to the SPCs and leased the vessel back over a nine-year term, with an option to purchase the vessel at the end of the lease term for a pre-determined fair value purchase price. If the purchase option is not exercised, the lease term may be extended for an additional two years, at the option of the SPCs.

#### Hanjin Shipping Bankruptcy

On August 31, 2016, Hanjin filed for bankruptcy in Korea, or the Hanjin Proceeding. As at August 31, 2016, Hanjin chartered three of our 10000 TEU vessels and four of GCI's 10000 TEU vessels under 10-year charter contracts, with options to extend. Hanjin also chartered one of our 4600 TEU vessels, the Seaspan Efficiency. As at the date hereof, the charters for all eight vessels have been cancelled, the vessels have been returned and Hanjin has ceased to be a customer.

As at August 31, 2016, the three 10000 TEU vessels chartered to Hanjin represented approximately 4.8% of the TEU capacity of our on-the-water fleet, and the contracted future revenue under the charters was approximately \$361.8 million, excluding extension options, of our total contracted revenue of \$5.8 billion.

As at August 31, 2016, we had approximately \$18.9 million of past due accounts receivable from Hanjin. As a result of the Hanjin Proceeding, we recognized a full reserve for these past due accounts receivable, which reduced our net earnings for the quarter ending September 30, 2016 by approximately \$18.9 million. On September 1, 2016, after Hanjin declared bankruptcy, we stopped recognizing revenue on the vessels chartered to Hanjin.

In addition to the consequences of the Hanjin Proceeding described above, it is possible we may incur costs or liabilities resulting from third party claims for unpaid goods and services provided to the vessels while on charter to Hanjin and from other Hanjin related claims made prior to or after the date of the announcement of the Hanjin Proceeding. In the course of the Hanjin Proceeding, we made a claim against Hanjin for any such costs and liabilities, and we also intend to make a claim under our insurance policies for recovery; however, some or all of these costs and liabilities ultimately may not be recovered.

As of September 30, 2016, we have approximately \$209.2 million of outstanding indebtedness under credit facilities secured by our three 10000 TEU vessels formerly chartered to Hanjin and the related charter contracts. Under these credit facilities, the loans may become due and payable if replacement charters acceptable to the lenders, in their discretion, are not obtained within 90 to 120 days of the charter termination, as applicable. We received termination notices for these three vessels formerly chartered to Hanjin starting on September 29, 2016. We are in discussions with these lenders to extend the time to obtain an acceptable replacement charter.

We have obtained a short-term charter commencing in the latter half of the fourth quarter of 2016 at market rates for one of our 10000 TEU vessels, and are actively seeking charter opportunities for the other two, however, there is no assurance that replacement charters will be secured and, if secured, at what rates or for what duration. We have also entered into an agreement for the sale and recycling of the Seaspan Efficiency. Please read “Recent Developments–Sale of Seaspan Efficiency” below.

## Recent Developments

### Potential Acquisition of Greater China Intermodal Investments LLC

Our growth strategy includes expanding our fleet through the selective acquisition of newbuildings and on-the-water containerships. We have had extensive discussions with the other owners of GCI about potentially acquiring the remaining approximately 89% equity interests of GCI that we do not currently own and alternatively acquiring GCI’s newbuilding and certain on-the-water containerships and the associated charters. Earlier this year, we acquired or leased certain GCI vessels on an individual basis. Acquisition discussions with the other owners of GCI were recently suspended; however we may re-initiate discussions in the future.

We can provide no assurance as to whether any transaction involving GCI or its assets may occur or, if a transaction is completed, the terms of such transaction. In addition, there can be no assurance that any such transaction, if completed, would be viewed in a positive manner by investors.

GCI is owned 83.3% by Greater China Industrial Investments LLC, or GC Industrial, an affiliate of Carlyle, 10.8% by our subsidiary Seaspan Investment I Ltd., 3.3% by Tiger Management Limited, an entity controlled by one of our directors, Graham Porter, or the Tiger Member, and 2.6% by Blue Water Commerce, LLC, an affiliate of Dennis R. Washington, our largest shareholder, or the Washington Member. The Tiger Member also has an ownership interest in GC Industrial, and the Washington Member and Gerry Wang, our co-founder, co-chairman and chief executive officer, have interests in the Tiger Member. As a result, Messrs. Wang and Porter and the Washington Member would have indirect interests in certain incentive distributions that GC Industrial may receive from GCI pursuant to distribution provisions in GCI’s operating agreement, upon any sale of GCI or distribution of the proceeds of the sale of GCI’s assets. Our employment agreement with Mr. Wang provides that we would pay him certain transaction fees in

connection with any acquisition by us of GCI or certain assets of GCI. An affiliate of Mr. Porter is party to a services agreement with us that would result in payments to the affiliate relating to certain debt and lease financings we may incur in connection with any acquisition by us of GCI or assets of GCI. For additional information about GCI and these arrangements, please read “Certain Relationships and Related Party Transactions” in our 2015 Annual Report.

## Vessel Sales

In October and November 2011, we entered into agreements to bareboat charter four 4800 TEU vessels to MSC, each for a five-year term and MSC agreed to purchase the vessels for \$5.0 million each at the end of the bareboat charters. In October 2016, two of the 4800 TEU vessels, the MSC Manu and MSC Leanne, completed their five-year bareboat charter terms and were sold to MSC for \$5.0 million per vessel.

## Sale of Seaspan Efficiency

In October 2016, we entered into an agreement for the sale of the Seaspan Efficiency, a 2003-built 4600 TEU class containership, for recycling at an ISO certified recycling facility for gross sale proceeds of approximately \$6.4 million.

## Dividends

On October 11, 2016, our board of directors declared the following quarterly cash dividends on our common and preferred shares for a total distribution of \$55.2 million:

| Security                  | Ticker   | Dividend<br>per Share | Period                                 | Record Date      | Payment Date     |
|---------------------------|----------|-----------------------|--|------------------|------------------|
| Class A common shares     | SSW      | \$0.375               | July 1, 2016 to<br>September 30, 2016  | October 20, 2016 | October 31, 2016 |
| Series D preferred shares | SSW PR D | \$0.496875            | July 30, 2016 to<br>October 29, 2016   | October 28, 2016 | October 31, 2016 |
| Series E preferred shares | SSW PR E | \$0.515625            | July 30, 2016 to<br>October 29, 2016   | October 28, 2016 | October 31, 2016 |
| Series F preferred shares | —        | \$0.434375            | July 30, 2016 to<br>October 29, 2016   | October 28, 2016 | October 31, 2016 |
| Series G preferred shares | SSW PR G | \$0.512500            | July 30, 2016 to<br>October 29, 2016   | October 28, 2016 | October 31, 2016 |
| Series H preferred shares | SSW PR H | \$0.432031            | August 11, 2016 to<br>October 29, 2016 | October 28, 2016 | October 31, 2016 |

## Our Fleet

## Our Current Fleet

The following table summarizes key facts regarding our 89 operating vessels as of September 30, 2016:

| Vessel Name                   | Vessel Class (TEU) | Charter |          | Charterer        | Length of Charter            | Daily Charter Rate  |
|-------------------------------|--------------------|---------|----------|------------------|------------------------------|---------------------|
|                               |                    | Year    | Period   |                  |                              |                     |
| YM Wish                       | 14000              | 2015    | 4/7/15   | Yang Ming Marine | 10 years + one 2-year option | \$46.8              |
| YM Wellhead                   | 14000              | 2015    | 4/22/15  | Yang Ming Marine | 10 years + one 2-year option | 46.8                |
| YM Winner <sup>(1)</sup>      | 14000              | 2015    | 6/10/15  | Yang Ming Marine | 10 years + one 2-year option | 46.8                |
| YM Witness                    | 14000              | 2015    | 7/3/15   | Yang Ming Marine | 10 years + one 2-year option | 46.8                |
| YM Wellness <sup>(1)</sup>    | 14000              | 2015    | 8/21/15  | Yang Ming Marine | 10 years + one 2-year option | 46.8                |
| YM Warmth <sup>(1)</sup>      | 14000              | 2015    | 10/16/15 | Yang Ming Marine | 10 years + one 2-year option | 46.8                |
| YM Window <sup>(1)</sup>      | 14000              | 2016    | 5/8/16   | Yang Ming Marine | 10 years + one 2-year option | 46.5                |
| YM Width <sup>(1)</sup>       | 14000              | 2016    | 5/29/16  | Yang Ming Marine | 10 years + one 2-year option | 46.5                |
| 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 <sup>(3)</sup>    | 10000              | 2014    | —        | —                | —                            | —                   |
| Hanjin Tabul                  | 10000              | 2014    | 7/2/14   | Hanjin           | 10 years + one 2-year option | 43.0 <sup>(2)</sup> |
| MOL Bravo <sup>(1)</sup>      | 10000              | 2014    | 7/18/14  | MOL              | 8 years + one 2-year option  | 37.5 <sup>(4)</sup> |
| MOL Brightness <sup>(1)</sup> | 10000              | 2014    | 10/31/14 | MOL              | 8 years + one 2-year option  | 37.5 <sup>(4)</sup> |
| MOL Breeze <sup>(1)</sup>     | 10000              | 2014    | 11/14/14 | MOL              | 8 years + one 2-year option  | 37.5 <sup>(4)</sup> |
| MOL Beacon <sup>(1)</sup>     | 10000              | 2015    | 4/10/15  | MOL              | 8 years + one 2-year option  | 37.5 <sup>(4)</sup> |
| MOL Benefactor <sup>(1)</sup> | 10000              | 2016    | 3/28/16  | MOL              | 8 years + one 2-year option  | 37.5 <sup>(4)</sup> |
| MOL Beyond <sup>(1)</sup>     | 10000              | 2016    | 4/29/16  | MOL              | 8 years + one 2-year option  | 37.5 <sup>(4)</sup> |

Edgar Filing: Seaspan CORP - Form 6-K

|                             |       |               |           |   |      |     |
|-----------------------------|-------|---------------|-----------|---|------|-----|
| Maersk Guayaquil            | 10000 | 2015 9/21/15  | Maersk    | 5 years + two 1-year options                | 37.2 | (5) |
| Maersk Genoa <sup>(1)</sup> | 10000 | 2016 9/12/16  | Maersk    | 5 years + two 1-year options                | 37.2 | (5) |
| CSCL Zeebrugge              | 9600  | 2007 3/15/07  | CSCL Asia | 12 years                                    | 34.5 | (6) |
| CSCL Long Beach             | 9600  | 2007 7/6/07   | CSCL Asia | 12 years                                    | 34.5 | (6) |
| CSCL Oceania                | 8500  | 2004 12/4/04  | CSCL Asia | 12 years + one 3-year option <sup>(7)</sup> | 29.8 |     |
| CSCL Africa                 | 8500  | 2005 1/24/05  | CSCL Asia | 12 years + one 3-year option <sup>(7)</sup> | 29.8 |     |
| COSCO Japan                 | 8500  | 2010 3/9/10   | COSCON    | 12 years + three 1-year options             | 42.9 | (8) |
| COSCO Korea                 | 8500  | 2010 4/5/10   | COSCON    | 12 years + three 1-year options             | 42.9 | (8) |
| COSCO Philippines           | 8500  | 2010 4/24/10  | COSCON    | 12 years + three 1-year options             | 42.9 | (8) |
| COSCO Malaysia              | 8500  | 2010 5/19/10  | COSCON    | 12 years + three 1-year options             | 42.9 | (8) |
| COSCO Indonesia             | 8500  | 2010 7/5/10   | COSCON    | 12 years + three 1-year options             | 42.9 | (8) |
| COSCO Thailand              | 8500  | 2010 10/20/10 | COSCON    | 12 years + three 1-year options             | 42.9 | (8) |
| COSCO Prince Rupert         | 8500  | 2011 3/21/11  | COSCON    | 12 years + three 1-year options             | 42.9 | (8) |
| COSCO Vietnam               | 8500  | 2011 4/21/11  | COSCON    | 12 years + three 1-year options             | 42.9 | (8) |
| 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 |     |

Edgar Filing: Seaspan CORP - Form 6-K

|                                 |      |      |          |        |                                 |             |      |
|---------------------------------|------|------|----------|--------|---------------------------------|-------------|------|
| MOL Empire                      | 5100 | 2010 | 1/8/10   | MOL    | 12 years                        | 28.9        |      |
| MSC Veronique                   | 4800 | 1989 | 11/25/11 | MSC    | 5 years                         | 14.5        | (9)  |
| MSC Manu                        | 4800 | 1988 | 11/15/11 | MSC    | 5 years                         | 14.5        | (9)  |
| MSC Leanne                      | 4800 | 1989 | 10/19/11 | MSC    | 5 years                         | 14.5        | (9)  |
| MSC Carole                      | 4800 | 1989 | 10/12/11 | MSC    | 5 years                         | 14.5        | (9)  |
| Seaspan Efficiency              | 4600 | 2003 | 7/30/16  | Hanjin | Up to 10 months <sup>(10)</sup> | Market rate | (11) |
| Brottonne Bridge <sup>(1)</sup> | 4500 | 2010 | 10/25/10 | K-Line | 12 years + two 3-year options   | 34.3        | (12) |
| Brevik Bridge <sup>(1)</sup>    | 4500 | 2011 | 1/25/11  | K-Line | 12 years + two 3-year options   | 34.3        | (12) |
| Bilbao Bridge <sup>(1)</sup>    | 4500 | 2011 | 1/28/11  | K-Line | 12 years + two 3-year options   | 34.3        | (12) |
| Berlin Bridge                   | 4500 | 2011 |          |        |                                 |             |      |