

Seaspan CORP
Form 6-K
August 01, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

Commission File Number 1-32591

SEASPAN CORPORATION

(Exact name of Registrant as specified in its Charter)

Unit 2, 2nd Floor

Bupa Centre

141 Connaught Road West

Hong Kong

China

(Address of principal executive office)

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

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

(b)(1). Yes No

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

(b)(7). Yes No

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

Attached as Exhibit I is Seaspan Corporation's report on Form 6-K, or this Report, for the quarter ended June 30, 2017. 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 24, 2012 on Form F-3 (Registration No. 333-180895), as amended on March 22, 2013, the Registration Statement of Seaspan Corporation filed with the SEC on April 29, 2014 on Form F-3 (Registration No. 333-195571), as amended on March 3, 2017 and April 19, 2017, the Registration Statement of Seaspan Corporation filed with the SEC on November 28, 2014 on Form F-3 (Registration No. 333-200639), as amended on March 3, 2017 and April 19, 2017, the Registration Statement of Seaspan Corporation filed with the SEC on November 28, 2014 on Form S-8 (Registration No. 333-200640), the Registration Statement of Seaspan Corporation filed with the SEC on March 12, 2015 on Form F-3D (Registration No. 333-202698), the Registration Statement of Seaspan Corporation filed with the SEC on May 23, 2016 on Form F-3 (Registration No. 333-211545), as amended on March 3, 2017, March 7, 2017 and April 19, 2017, and 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: August 1, 2017 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 QUARTER ENDED JUNE 30, 2017

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

References to 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

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References to customers are as follows:

Customer	Reference
ANL Singapore Pte. Ltd. ⁽¹⁾	ANL
CMA CGM S.A.	CMA CGM
Cheng Lie Navigation Co., Ltd. ⁽¹⁾	CNC
China Shipping Container Lines (Asia) Co., Ltd. ⁽²⁾⁽³⁾	CSCL Asia
COSCO Shipping Lines Co., Ltd. ⁽³⁾⁽⁴⁾	COSCON
COSCO (Cayman) Mercury Co., Ltd. ⁽⁵⁾	COSCO Mercury
New Golden Sea Pte. Ltd. ⁽⁵⁾	COSCO New Golden Sea
Hapag-Lloyd AG	Hapag-Lloyd
Kawasaki Kisen Kaisha Ltd. ⁽⁶⁾	K-Line
Maersk Line A/S ⁽⁷⁾	Maersk
MSC Mediterranean Shipping Company S.A.	MSC
Mitsui O.S.K. Lines, Ltd. ⁽⁶⁾	MOL
Orient Overseas Container Line (Europe) Ltd.	OOCL Europe
Orient Overseas Container Line Ltd.	OOCL
Simatech Marine S.A.	Simatech Marine
Yang Ming Marine Transport Corp.	Yang Ming Marine
ZIM Integrated Shipping Services Ltd.	ZIM

⁽¹⁾A subsidiary of CMA CGM.

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

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

⁽⁴⁾A subsidiary of China COSCO Holdings Company Limited.

⁽⁵⁾A subsidiary of COSCON.

⁽⁶⁾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.

⁽⁷⁾A subsidiary of A.P. Moeller Maersk A/S.

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

The information and the unaudited 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, 2016, filed with the U.S. Securities and Exchange Commission, or the SEC, on March 6, 2017, or our 2016 Annual Report. Unless otherwise indicated, all amounts in this Report are presented in U.S. dollars, or USD. We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles, or U.S. GAAP.

SEASPAN CORPORATION

PART I — FINANCIAL INFORMATION

ITEM 1 — INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SEASPAN CORPORATION

Interim Consolidated Balance Sheets

(Unaudited)

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

	June 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$305,592	\$ 367,901
Short-term investments	103	411
Accounts receivable (note 2)	18,938	30,793
Loans to affiliate (note 2)	36,100	62,414
Prepaid expenses and other	41,375	37,252
Fair value of financial instruments (note 15)	—	11,338
	402,108	510,109
Vessels (note 3)	4,777,414	4,883,849
Deferred charges (note 4)	65,345	68,099
Goodwill	75,321	75,321
Other assets	137,614	120,451
	\$5,457,802	\$ 5,657,829
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$53,783	\$ 62,157
Current portion of deferred revenue (note 5)	15,611	28,179
Current portion of long-term debt (note 6)	350,472	314,817
Current portion of long-term obligations under capital lease (note 7)	30,443	27,824
Current portion of other long-term liabilities (note 8)	23,648	21,115
Fair value of financial instruments (note 15)	4,707	30,752
	478,664	484,844
Deferred revenue (note 5)	1,040	1,528
Long-term debt (note 6)	2,309,344	2,569,697
Long-term obligations under capital lease (note 7)	445,107	459,395
Other long-term liabilities (note 8)	213,336	195,104
Fair value of financial instruments (note 15)	200,560	200,012
Shareholders' equity:		
Share capital (note 9):		
Preferred shares; \$0.01 par value; 150,000,000 shares authorized;		

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32,751,629 shares issued and outstanding (2016 – 32,751,629)

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

117,932,468 shares issued and outstanding (2016 – 105,722,646)	1,507	1,385
Treasury shares	(377)	(367)
Additional paid in capital	2,658,389	2,580,274
Deficit	(825,359)	(807,496)
Accumulated other comprehensive loss	(24,409)	(26,547)
	1,809,751	1,747,249
	\$5,457,802	\$ 5,657,829

Commitments and contingencies (note 13)

Subsequent events (note 16)

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		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Revenue	\$204,609	\$224,314	\$405,930	\$439,837
Operating expenses:				
Ship operating	44,823	49,233	90,430	96,840
Cost of services, supervision fees	—	3,900	—	5,200
Depreciation and amortization	49,798	54,515	99,744	113,352
General and administrative	7,486	9,064	14,975	16,857
Operating leases (note 8)	28,148	20,662	54,658	35,513
Expenses related to customer bankruptcy	—	—	1,013	—
	130,255	137,374	260,820	267,762
Operating earnings	74,354	86,940	145,110	172,075
Other expenses (income):				
Interest expense and amortization of deferred financing fees	28,261	30,095	56,729	60,238
Interest income	(1,193)	(2,768)	(2,365)	(5,845)
Undrawn credit facility fees	635	741	1,265	1,153
Refinancing expenses	—	772	—	772
Change in fair value of financial instruments (note 15)	13,610	23,614	17,027	75,765
Equity income on investment	(1,642)	(2,168)	(2,529)	(3,968)
Other expenses (note 2)	6,399	229	6,676	407
	46,070	50,515	76,803	128,522
Net earnings	\$28,284	\$36,425	\$68,307	\$43,553
Earnings per share (note 10):				
Class A common share, basic and diluted	\$0.11	\$0.23	\$0.33	\$0.17

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Interim Consolidated Statements of Comprehensive Income

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net earnings	\$28,284	\$36,425	\$68,307	\$43,553
Other comprehensive income:				
Amounts reclassified to net earnings during the period				
relating to cash flow hedging instruments (note 15 (c))	662	1,047	2,138	2,108
Comprehensive income	\$28,946	\$37,472	\$70,445	\$45,661

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)

Six months ended June 30, 2017 and year ended December 31, 2016

	Number of preferred shares						Common	Preferred	Treasury	Additional paid-in	Deficit
	Series C	Series D	Series E	Series F	Series G	Series H	shares	shares	shares	capital	
60	13,321,774	4,981,029	5,370,600	—	—	—	\$986	\$237	\$(356)	\$2,266,661	\$(460,425)
	—	—	—	—	—	—	—	—	—	—	(139,039)
	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	5,600,000	—	—	—	56	—	139,944	—
	—	—	—	—	7,800,000	—	—	78	—	194,466	—
	—	—	—	—	—	9,000,000	—	90	—	224,910	—
8	—	—	—	—	—	—	68	—	—	99,457	—
	—	—	—	—	—	—	—	—	—	(21,797)	—

—	—	—	—	—	—	—	—	—	—	(152,915)	
—	—	—	—	—	—	—	—	—	—	(53,630)	
—	—	—	—	—	—	—	—	—	116	(116)	
—	—	—	—	—	—	3	—	—	4,356	—	
—	—	—	—	—	—	2	—	—	6,226	—	
—	—	—	—	—	—	4	—	—	7,139	(1,371)	
)	—	—	—	—	—	(6)	—	(8,263)	—

	(13,321,774)	—	—	—	—	—	—	(133)	—	(332,941)	—
)	—	—	—	—	—	—	—	—	(11)	—	—
646	—	4,981,029	5,370,600	5,600,000	7,800,000	9,000,000	\$1,057	\$328	\$(367)	\$2,580,274	\$(807,496)

See accompanying notes to consolidated financial statements.

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SEASPAN CORPORATION

Interim Consolidated Statements of Shareholders' Equity (Continued)

(Unaudited)

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

Six months ended June 30, 2017 and year ended December 31, 2016

Number of Common Shares	Number of preferred shares						Common shares	Preferred shares	Treasury shares	Additional paid-in capital	Deficit	Accumulated other comprehensive loss
	Series A	Series C	Series D	Series E	Series F	Series G						
5,722,646	—	4,981,029	5,370,600	5,600,000	7,800,000	9,000,000	\$1,057	\$328	\$(367)	\$2,580,274	\$(807,496)	\$(26,307)
—	—	—	—	—	—	—	—	—	—	—	68,307	—
—	—	—	—	—	—	—	—	—	—	—	—	2,100
50,000	—	—	—	—	—	—	94	—	—	58,489	—	—
—	—	—	—	—	—	—	—	—	—	(1,317)	—	—
—	—	—	—	—	—	—	—	—	—	—	(53,393)	—
68,958	—	—	—	—	—	—	12	—	—	7,670	(32,208)	—

7,258	—	—	—	—	—	—	2	—	—	3,764	—	—
445,120	—	—	—	—	—	—	14	—	—	9,509	(569) —
514) —	—	—	—	—	—	—	—	(10) —	—	—
7,932,468	—	4,981,029	5,370,600	5,600,000	7,800,000	9,000,000	\$1,179	\$328	\$(377)	\$2,658,389	\$(825,359)	\$(24

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		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Cash from (used in):				
Operating activities:				
Net earnings	\$28,284	\$36,425	\$68,307	\$43,553
Items not involving cash:				
Depreciation and amortization	49,798	54,515	99,744	113,352
Share-based compensation (note 11)	1,989	1,472	3,870	2,418
Amortization of deferred financing fees	3,185	3,055	6,213	6,366
Amounts reclassified from other comprehensive loss				
to interest expense	401	784	1,680	1,595
Unrealized change in fair value of financial				
instruments	(1,037)	1,491	(13,185)	30,350
Equity income on investment	(1,642)	(2,168)	(2,529)	(3,968)
Refinancing expenses	—	772	—	772
Operating leases	(5,500)	(4,450)	(10,767)	(8,316)
Other	6,389	20	6,467	44
Changes in assets and liabilities:				
Accounts receivable	3,692	(1,807)	9,205	(7,173)
Lease receivable	—	5,278	—	10,556
Prepaid expenses and other	1,442	4,561	(6,340)	4,083
Other assets and deferred charges	294	(3,288)	(1,536)	(15,365)
Accounts payable and accrued liabilities	(11,955)	(7,153)	(6,281)	(7,910)
Deferred revenue	(11,757)	(1,823)	(13,056)	(4,771)
Fair value of financial instruments	(1,284)	—	(2,575)	-
Cash from operating activities	62,299	87,684	139,217	165,586
Financing activities:				
Common shares issued, net of issuance costs	33,362	96,034	57,266	96,034
Preferred shares issued, net of issuance costs	—	247,663	—	247,663
Draws on credit facilities	—	80,485	—	220,485
Repayment of credit facilities	(75,627)	(200,596)	(171,157)	(291,116)
Draws on obligations under capital lease	—	81,150	—	81,150
Repayment of long-term obligations under capital lease	(6,508)	(6,142)	(12,873)	(12,183)
Common shares repurchased, including related expenses	—	—	—	(8,269)

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Preferred shares redeemed, including related expenses	—	(333,061)	—	(333,061)
Senior unsecured notes repurchased, including related expenses	(2,665)	—	(3,122)	—
Financing fees	(2,314)	(9,408)	(2,314)	(11,018)
Dividends on common shares	(6,433)	(35,493)	(45,711)	(71,063)
Dividends on preferred shares	(16,103)	(16,999)	(32,208)	(30,153)
Net proceeds from sale-leaseback of vessel	90,753	144,000	90,753	254,000
Cash from (used in) financing activities	14,465	47,633	(119,366)	142,469
Investing activities:				
Expenditures for vessels	(84,453)	(98,112)	(96,361)	(215,536)
Short-term investments	—	(4)	308	1,050
Restricted cash	408	(201)	(5,799)	(201)
Loans to affiliate (note 2)	(790)	(2,670)	(1,585)	(16,220)
Repayments of loans to affiliate (note 2)	18,068	54,306	21,233	54,306
Other assets	(53)	(230)	44	(317)
Cash used in investing activities	(66,820)	(46,911)	(82,160)	(176,918)
Increase (decrease) in cash and cash equivalents	9,944	88,406	(62,309)	131,137
Cash and cash equivalents, beginning of period	295,648	258,251	367,901	215,520
Cash and cash equivalents, end of period	\$305,592	\$346,657	\$305,592	\$346,657
Supplemental cash flow information (note 12)				

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2017 and 2016

(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, 2016 audited annual consolidated financial statements. The accompanying interim financial information is unaudited and reflects all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of results for the interim periods presented. These unaudited interim consolidated financial statements do not include all the disclosures required under U.S. GAAP for annual financial statements and should be read in conjunction with the December 31, 2016 annual consolidated financial statements filed with the U.S. Securities and Exchange Commission in the Company's 2016 Annual Report on Form 20-F.

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

(b) Recent accounting developments:

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU"), 2017-04, "Simplifying the Test for Goodwill Impairment". ASU 2017-04 eliminates the need to determine the fair value of individual assets and liabilities of a reporting unit to measure the goodwill impairment. The goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The revised guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is evaluating the revised guidance to determine the impact it will have on its consolidated financial statements.

2. Related party transactions:

(a) At June 30, 2017, the Company had \$36,100,000 (December 31, 2016 – \$62,414,000) due from Greater China Intermodal Investments LLC ("GCI"), its equity investee, recorded as loans to affiliate. This amount includes the following:

• The Company had \$36,100,000 (December 31, 2016 – \$57,266,000) due from GCI for payments made in connection with vessels that GCI will acquire pursuant to shipbuilding contracts acquired by GCI pursuant to a previously applicable 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.

• There was no interest receivable on these amounts (December 31, 2016 – \$5,148,000).

The Company also had no amounts (December 31, 2016 – \$6,385,000) due from GCI included in accounts receivable and \$2,490,000 (December 31, 2016 – \$2,780,000) due to GCI included in accounts payable and accrued liabilities.

The Company also had \$807,000 (December 31, 2016 – \$655,000) due from other related parties included in accounts receivable and \$1,200,000 (December 31, 2016 - \$1,395,000) due to other related parties included in accounts payable and accrued liabilities.

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2017 and 2016

(Unaudited)

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

2. Related party transactions (continued):

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Fees incurred:				
Arrangement fees	\$ 1,872	\$ 5,118	\$ 1,872	\$ 5,998
Transaction fees	989	2,334	1,054	3,612
Income earned:				
Interest income	790	2,669	1,585	5,636
Management fees	1,077	1,074	2,140	2,148
Supervision fees	—	3,900	—	5,200

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 a former director in connection with services associated with debt or lease financings and were generally recorded as deferred financing fees and amortized over the term of the related debt or lease. The former director resigned from the board of directors in April 2017 and the agreement governing the arrangement fees was terminated. Pursuant to the termination of the agreement, the Company will pay arrangement fees for any financings in process as at April 10, 2017 and completed prior to December 31, 2017. In addition, the Company paid a termination fee of \$6,250,000 with 945,537 of its common shares which is included in Other expenses.

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. In April 2017 the chief executive officer's employment agreement was amended to eliminate transaction fees on future newbuild contracts and purchase or sale contracts entered into after April 9, 2017.

Arrangement fees and transaction fees were generally 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 11(b)). In April 2017, it was agreed that all transaction fees will be paid 100% in the Company's common shares (note 11(b)).

Interest income is earned on loans to affiliate.

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.

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2017 and 2016

(Unaudited)

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

3. Vessels:

June 30, 2017	Cost	Accumulated depreciation	Net book value
Vessels	\$6,136,206	\$ 1,636,978	\$4,499,228
Vessels under construction	278,186	—	278,186
Vessels	\$6,414,392	\$ 1,636,978	\$4,777,414

December 31, 2016	Cost	Accumulated depreciation	Net book value
Vessels	\$6,126,220	\$ 1,548,553	\$4,577,667
Vessels under construction	306,182	—	306,182
Vessels	\$6,432,402	\$ 1,548,553	\$4,883,849

During the three and six months ended June 30, 2017, the Company capitalized interest costs of \$2,926,000 and \$5,786,000, respectively, (June 30, 2016 - \$1,598,000 and \$3,049,000) to vessels under construction.

4. Deferred charges:

	Dry-docking	Financing fees	Total
December 31, 2016	\$ 49,037	\$ 19,062	\$68,099
Cost incurred	2,557	2,453	5,010
Amortization expensed	(6,748)	(1,016)	(7,764)
June 30, 2017	\$ 44,846	\$ 20,499	\$65,345

5. Deferred revenue:

	June 30, 2017	December 31, 2016
Deferred revenue on time charters	\$13,823	\$ 26,879

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Other deferred revenue	2,828	2,828
Deferred revenue	16,651	29,707
Current portion	(15,611)	(28,179)
Deferred revenue	\$1,040	\$ 1,528

6. Long-term debt:

	June 30, 2017	December 31, 2016
Long-term debt:		
Revolving credit facilities	\$924,483	\$ 958,304
Term loan credit facilities	1,409,503	1,600,085
Senior unsecured notes	341,878	345,000
Deferred financing fees	(16,048)	(18,875)
Long-term debt	2,659,816	2,884,514
Current portion	(350,472)	(314,817)
Long-term debt	\$2,309,344	\$ 2,569,697

SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2017 and 2016

(Unaudited)

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

6. Long-term debt (continued):

In March 2017, the Company entered into a repurchase plan for up to \$10,000,000 of its senior unsecured notes which mature in April 2019. During the three and six months ended June 30, 2017, the Company repurchased 106,624 and 124,885 senior unsecured notes, which are issued in denominations of \$25 per note, for approximately \$2,665,000 and \$3,122,000, respectively.

In April 2017, the Company entered into a 364-day unsecured, revolving loan facility with various banks for up to \$120,000,000 to be used to fund vessels under construction and for general corporate purposes. The facility includes features providing for an increase in commitments by up to \$30,000,000, enabling a total facility of up to \$150,000,000.

At June 30, 2017, the one month average LIBOR was 1.1% (December 31, 2016 – 0.8%) and the margins ranged between 0.5% and 1.4% (December 31, 2016 – 0.5% and 1.3%) for revolving credit facilities. The weighted average rate of interest, including the margin, for our revolving credit facilities was 1.7% at June 30, 2017 (December 31, 2016 – 1.4%). Interest payments are made monthly.

At June 30, 2017, the one month, three month and six month average LIBOR was 1.1%, 1.2% and 1.4%, respectively (December 31, 2016 – 0.8%, 1.0% and 1.2%, respectively) and the margins ranged between 0.4% and 4.8% (December 31, 2016 – 0.4% and 4.8%) for term loan credit facilities.

For certain of our term loan credit facilities with a total principal outstanding of \$84,674,000, 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 3.4% at June 30, 2017 (December 31, 2016 – 3.2%) for term loan credit facilities. Interest payments are made in monthly, quarterly or semi-annual payments.

The security for each of these credit facilities, except for unsecured loans, are consistent with those described in note 10(d) of the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2016.

For one of the Company's term loan credit facilities, the Company has obtained a waiver from the lender extending the grace period for securing acceptable replacement charters for two of the vessels to the fourth quarter of 2017. These two vessels were placed into short-term charters in April 2017, on current market terms, each of which could extend beyond the fourth quarter of 2017. The Company has determined that it is not probable that it will be able to secure acceptable replacement charters by the fourth quarter of 2017 and, as a result, has classified the entire outstanding balance of the loan as current at June 30, 2017. The Company is in the process of requesting a waiver from the lender to further extend the grace period beyond the fourth quarter of 2017.

Each credit facility contains financial covenants requiring the Company to maintain minimum liquidity, tangible net worth, interest coverage ratios, interest and principal coverage ratios, and debt-to-assets ratios, as defined. The Company is in compliance with these covenants at June 30, 2017.

7. Long-term obligations under capital lease:

	June 30, 2017	December 31, 2016
Long-term obligations under capital lease	485,911	498,784
Deferred financing fees	(10,361)	(11,565)
Long-term obligations under capital lease	475,550	487,219
Current portion	(30,443)	(27,824)
Long-term obligations under capital lease	\$445,107	\$ 459,395

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(Unaudited)

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

8. Other long-term liabilities:

	June 30, 2017	December 31, 2016
Deferred gain on sale-leasebacks	215,002	194,322
Other	21,982	21,897
Other long-term liabilities	236,984	216,219
Current portion	(23,648)	(21,115)
Other long-term liabilities	\$213,336	\$ 195,104

In May 2017, the Company entered into a sale-leaseback transaction with Asian special purpose companies, or SPCs, for one 14000 TEU vessel, the YM Wind, for gross proceeds of \$144,000,000. Under the transaction, the Company sold the vessel to the SPCs and leased the vessel back from the SPCs over a term of 12 years, with an option to purchase the vessel at the 9.5 year anniversary for a pre-determined fair value purchase price.

The sale of this resulted in a deferred gain totaling approximately \$31,611,000 which is being recorded as a reduction of the related operating lease expense over the 12 year lease term.

9. Share capital:

Common shares:

In March 2017, the Company entered into an equity distribution agreement with sales agents under which the Company may, from time to time, issue Class A common shares in one or more at-the-market (“ATM”) offerings up to an aggregate of \$75,000,000 in gross sales proceeds. During the three and six months ended June 30, 2017, the Company issued a total of 5,650,000 and 9,350,000 Class A common shares under the ATM offerings for gross proceeds of \$33,916,000 and \$58,583,000, respectively.

Preferred shares:

At June 30, 2017, the Company had the following preferred shares outstanding:

Shares	Liquidation preference	
	June 30,	December 31,

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Series	Authorized	Issued	2017	2016
A	315,000	—	\$—	\$ —
B	260,000	—	—	—
C	40,000,000	—	—	—
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	140,000
G	15,000,000	7,800,000	195,000	195,000
H	15,000,000	9,000,000	225,000	225,000
R	1,000,000	—	—	—

In June 2017, the Company entered into a preferred share repurchase plan for up to \$10,000,000 of its Series D, E, G and H preferred shares, which expires in December 2017. The Company did not make any repurchases during the three and six months ended June 30, 2017.

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For the three and six months ended June 30, 2017 and 2016

(Unaudited)

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

10. Earnings per share ("EPS"):

	Three months ended June 30, 2017			Three months ended June 30, 2016		
	Earnings	Shares	Per share	Earnings	Shares	Per share
	(numerator)	(denominator)	amount	(numerator)	(denominator)	amount
Net earnings	\$28,284			\$36,425		
Less preferred share dividends:						
Series C	—			(6,394)		
Series D	(2,475)			(2,475)		
Series E	(2,769)			(2,769)		
Series F	(2,433)			(1,189)		
Series G	(3,997)			(393)		
Series H	(4,430)			—		
Basic EPS:						
Earnings attributable to						
common shareholders	\$12,180	113,963,000	\$ 0.11	\$23,205	101,480,000	\$ 0.23
Effect of dilutive securities:						
Share-based compensation	—	17,000		—	136,000	
Diluted EPS ⁽¹⁾ :						
Earnings attributable to						
common shareholders	\$12,180	113,980,000	\$ 0.11	\$23,205	101,616,000	\$ 0.23
	Six months ended June 30, 2017			Six months ended June 30, 2016		
	Earnings	Shares	Per share	Earnings	Shares	Per share
	(numerator)	(denominator)	amount	(numerator)	(denominator)	amount
Net earnings	\$68,307			\$43,553		

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Less preferred share dividends:

Series C	—	(14,420)
Series D	(4,950)	