

Seaspans CORP
Form 6-K
August 01, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2013
Commission File Number 1-32591

SEASPAN CORPORATION

(Exact name of Registrant as specified in its Charter)

Unit 2, 7th Floor

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Bupa Centre

141 Connaught Road West

Hong Kong

China

(Address of principal executive office)

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

Form 20-F ☒ Form 40-F ☐

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

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

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Item 1 Information Contained in this Form 6-K Report

Attached as Exhibit I is Seaspan Corporation's report on Form 6-K for the quarter ended June 30, 2013. This Form 6-K is hereby incorporated by reference into the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission on May 30, 2008 on Form F-3D (Registration No. 333-151329), the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission on August 19, 2010 on Form F-3 (Registration No. 333-168938), the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission on March 31, 2011 on Form S-8 (Registration No. 333-173207), the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission on April 24, 2012 on Form F-3ASR (Registration No. 333-180895) and the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission on June 20, 2013 on Form S-8 (Registration No. 333-189493).

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, 2013

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

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EXHIBIT I

SEASpan CORPORATION

REPORT ON FORM 6-K FOR THE QUARTER ENDED JUNE 30, 2013

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

References to shipbuilders are as follows:

Shipbuilder	Reference
Hyundai Heavy Industries Co., Ltd.	HHI
Jiangsu New Yangzi Shipbuilding Co., Ltd.	New Jiangsu
Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd.	Jiangsu Xinfu

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References to customers are as follows:

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

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

⁽²⁾ A subsidiary of China COSCO Holdings Company Limited

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

The information and the unaudited consolidated financial statements in this Report should be read in conjunction with the consolidated financial statements and related notes and the Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 20-F for the year ended December 31, 2012, filed with the Securities and Exchange Commission, or the Commission, on March 19, 2013, or our 2012 Annual Report. Unless otherwise indicated all amounts in this Report are presented in U.S. Dollars. We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles, or U.S. GAAP.

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

Interim Consolidated Balance Sheets

(Unaudited)

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

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 254,564	\$ 381,378
Short-term investments	81,696	36,100
Accounts receivable	11,470	9,573
Prepaid expenses	27,144	20,902
Gross investment in lease	19,235	15,977
	394,109	463,930
Vessels (note 4)	4,902,914	4,863,273
Deferred charges (note 5)	54,705	43,816
Gross investment in lease	69,323	79,821
Goodwill	75,321	75,321
Other assets	109,541	83,661
Fair value of financial instruments (note 14(b))	52,143	41,031
	\$ 5,658,056	\$ 5,650,853
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 51,586	\$ 49,997
Current portion of deferred revenue (note 6)	11,481	25,111
Current portion of long-term debt (note 7)	150,612	66,656
Current portion of other long-term liabilities	38,927	38,542
	252,606	180,306
Deferred revenue (note 6)	5,892	7,903
Long-term debt (note 7)	2,942,746	3,024,288
Other long-term liabilities	592,804	613,049
Fair value of financial instruments (note 14(b))	485,995	606,740
Shareholders' equity:		
Share capital (note 8):		
Preferred shares; \$0.01 par value; 65,000,000 shares authorized; 17,305,000 shares issued and outstanding (2012- 17,305,000)		

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Class A common shares; \$0.01 par value;

200,000,000 shares authorized; 64,354,986 shares issued and outstanding (2012 - 63,042,217)

Class B common shares; \$0.01 par value;

25,000,000 shares authorized; nil shares issued and outstanding (2012 - nil)

Class C common shares; \$0.01 par value; 100 shares authorized; nil shares issued and outstanding (2012 - nil)	817	804
Treasury shares	(432)	(312)
Additional paid in capital	1,887,846	1,859,068
Deficit	(466,783)	(594,153)
Accumulated other comprehensive loss	(43,435)	(46,840)

	1,378,013	1,218,567
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	\$ 5,658,056	\$ 5,650,853
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Commitments (note 12)

Subsequent events (note 15)

See accompanying notes to interim consolidated financial statements.

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Interim Consolidated Statements of Operations

(Unaudited)

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

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Revenue	\$ 167,786	\$ 167,637	\$ 332,710	\$ 321,069
Operating expenses:				
Ship operating (note 3)	37,344	31,515	74,890	66,065
Depreciation and amortization	42,840	42,284	85,593	80,215
General and administrative	11,833	6,671	19,624	12,521
Operating lease	1,097		2,183	
Gain on vessel		(9,773)		(9,773)
	93,114	70,697	182,290	149,028
Operating earnings	74,672	96,940	150,420	172,041
Other expenses (income):				
Interest expense	15,275	19,157	30,759	36,132
Interest income	(600)	(321)	(787)	(629)
Undrawn credit facility fee	748	398	1,145	1,203
Amortization of deferred charges (note 5)	2,266	2,205	4,376	3,766
Change in fair value of financial instruments (note 14(b))	(71,193)	82,084	(68,527)	86,760
Equity loss on investment	35		69	134
Other expenses	987	166	625	166
	(52,482)	103,689	(32,340)	127,532
Net earnings (loss)	\$ 127,154	\$ (6,749)	\$ 182,760	\$ 44,509
Earnings (loss) per share (note 9):				
Class A common share, basic	\$ 1.67	\$ (0.38)	\$ 2.24	\$ 0.17
Class A common shares, diluted	1.35	(0.38)	1.88	0.17

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Interim Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net earnings (loss)	\$ 127,154	\$ (6,749)	\$ 182,760	\$ 44,509
Other comprehensive income:				
Amounts reclassified to earnings (loss) during the period relating to cash flow hedging instruments	1,603	2,412	3,405	5,120
Comprehensive income (loss)	\$ 128,757	\$ (4,337)	\$ 186,165	\$ 49,629

See accompanying notes to interim consolidated financial statements.

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Interim Consolidated Statements of Shareholders' Equity

Six months ended June 30, 2013 and year ended December 31, 2012

(Unaudited)

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

	Number of common shares		Number of preferred shares			Common shares	Preferred shares	Treasury shares	Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total shareholders' equity
	Class A	Class C	Series A	Series C	Series D							
Balance, December 31, 2011	69,620,060	100	200,000	14,000,000		\$ 696	\$ 142	\$	\$ 1,860,979	\$ (622,406)	\$ (55,986)	\$ 1,183,115
Issuance of Series D preferred shares					3,105,000		31		77,594			77,625
Transaction costs and expenses in connection with issuance of Series D preferred shares									(2,929)			(2,929)
Dividends issued through dividend reinvestment plan	474,249					5			7,163			7,168
Share-based compensation expense (note 10):												
Restricted class A common shares, phantom share units and stock appreciation rights	123,878					3			4,025			4,028
Share-based compensation	70,836								839			839
Net earnings										121,305		121,305
Net comprehensive income											9,146	9,146
Dividends on class A common shares (\$0.9375 per share)										(58,940)		(58,940)
Shares repurchased, including related expenses	(11,448,101)					(114)			(172,698)			(172,812)
Shares issued and retired on conversion (note 2)	4,220,728	(100)				42			83,233			83,173

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Warrant shares	(19,433)				(1)		(312)					(0)
Warrants on Series C red shares									(33,250)			(33)
Amortization of Series C issue costs								862	(862)			
Balance, December 31, 2012	63,042,217	200,000	14,000,000	3,105,000	\$ 631	\$ 173	\$ (312)	\$ 1,859,068	\$ (594,153)	\$ (46,840)	\$ 1,218,000	

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Interim Consolidated Statements of Shareholders' Equity

Six months ended June 30, 2013 and year ended December 31, 2012

(Unaudited)

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

	Number of common shares			Number of preferred shares					Additional		Accumulated other	Total
	Class A	Class C	Series A	Series C	Series D	Common shares	Preferred shares	Treasury shares	paid-in capital	Deficit	comprehensive loss	shareholders equity
Balance, December 31, 2012, carried forward	63,042,217		200,000	14,000,000	3,105,000	\$ 631	\$ 173	\$ (312)	\$ 1,859,068	\$ (594,153)	\$ (46,840)	\$ 1,218,567
Fees and expenses in connection with issuance of preferred shares									(55)			(55)
Share-based compensation expense (note 10):												
Restricted class A common shares, phantom share units and stock appreciation rights granted	50,805					1			9,142			9,143
Fleet growth payments (note 2)	351,729					3			(3)			
Other share-based compensation	159,020					1			3,726			3,727
Net earnings										182,760		182,760
Other comprehensive income											3,405	3,405

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Dividends on class A common shares (\$0.5625 per share)									(35,786)		(35,786)
Shares issued through dividend reinvestment program	751,215			8				15,340			15,348
Treasury shares								(120)			(120)
Dividends on Series C and D preferred shares									(18,976)		(18,976)
Amortization of Series C issuance costs								628	(628)		
Balance, June 30, 2013	64,354,986	200,000	14,000,000	3,105,000	\$ 644	\$ 173	\$ (432)	\$ 1,887,846	\$ (466,783)	\$ (43,435)	\$ 1,378,013

See accompanying notes to interim consolidated financial statements.

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Interim Consolidated Statements of Cash Flows

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Cash provided by (used in):				
Operating activities:				
Net earnings (loss)	\$ 127,154	\$ (6,749)	\$ 182,760	\$ 44,509
Items not involving cash:				
Depreciation and amortization	42,840	42,284	85,593	80,215
Share-based compensation (note 10)	6,630	1,943	9,441	2,529
Amortization of deferred charges (note 5)	2,266	2,205	4,376	3,766
Amounts reclassified from other comprehensive loss to interest expense	1,384	2,194	2,963	4,736
Unrealized change in fair value of financial instruments	(102,988)	51,354	(131,857)	25,571
Gain on vessel		(9,773)		(9,773)
Equity loss on investment	35		69	134
Changes in assets and liabilities:				
Accounts receivable and prepaid expenses	23,385	6,897	(899)	25,387
Other assets and deferred charges	(951)	(6,344)	(953)	(8,586)
Accounts payable and accrued liabilities	3,170	10,180	497	(19,437)
Deferred revenue	(1,324)	(682)	(15,641)	(1,477)
Other long-term liabilities	(40)	(1,314)	(505)	(5,620)
Cash from operating activities	101,561	92,195	135,844	141,954
Financing activities:				
Draws on credit facilities (note 7)		69,997	9,000	115,487
Repayment of credit facilities (note 7)	(12,219)	(2,760)	(33,226)	(12,802)
Shares repurchased, including related expenses		(329)		(170,938)
Other long-term liabilities	(9,787)	(8,335)	(19,860)	(32,984)
Financing fees (note 5)	(2,903)	198	(14,780)	182
Dividends on common shares	(11,266)	(14,811)	(20,438)	(22,178)
Dividends on preferred shares	(9,857)	(8,312)	(18,976)	(16,625)
Cash from (used in) financing activities	(46,032)	35,648	(98,280)	(139,858)
Investing activities:				
Expenditures for vessels	(33,065)	(77,640)	(92,294)	(164,275)
Short term investments	(15,323)	141	(45,596)	(10,073)
Cash acquired on acquisition of Seaspan Management Services Ltd. (note 2)				23,910
Restricted cash (note 1)	(500)	2,100	(1,900)	(3,900)
Other assets	(24,595)	(6,511)	(23,477)	530
Investment in affiliate			(1,111)	
Cash used in investing activities	(73,483)	(81,910)	(164,378)	(153,808)
Increase (decrease) in cash and cash equivalents	(17,954)	45,933	(126,814)	(151,712)
Cash and cash equivalents, beginning of period	272,518	283,478	381,378	481,123

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Cash and cash equivalents, end of period	\$ 254,564	\$ 329,411	\$ 254,564	\$ 329,411
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Supplementary cash flow information (note 11)

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2013 and 2012

(Unaudited)

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

1. Basis of Presentation:

The accompanying interim financial information of Seaspan Corporation (the Company) have been prepared in accordance with United States generally accepted accounting principles (U.S. GAAP), on a basis consistent with those followed in the December 31, 2012 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, 2012 consolidated financial statements filed with the Securities and Exchange Commission in the Company's 2012 Annual Report on Form 20-F.

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

The Company has recast the 2012 consolidated balance sheet and statements of cash flows for the three and six months ended June 30, 2012 to separately present balances of and movements in restricted cash, included in other assets, from cash and cash equivalents. This reclassification, which is immaterial, had no impact on the comparative consolidated statements of operations.

The Company has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02). ASU 2013-02 amended existing guidance by requiring additional disclosure either on the face of the income statement or in the notes to the financial statements of significant amounts reclassified out of accumulated other comprehensive income. ASU 2013-01 requires prospective adoption, and affects financial statement disclosure only. The adoption of ASU 2013-01 had no effect on the results of operations or financial position of the Company.

The Company adopted FASB ASU No. 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities (ASU 2013-01). ASU 2013-01 amended existing guidance by requiring additional disclosure about financial instruments and derivative instruments that are either (1) offset in the statement of financial position or (2) subject to an enforceable master netting arrangement. ASU 2013-01 requires retrospective disclosure for all comparative periods. The adoption of ASU 2013-01 did not have a material impact on the financial position of the Company.

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Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2013 and 2012

(Unaudited)

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

2. Acquisition of Seaspan Management Services Limited:

On January 27, 2012, the Company acquired 100 percent of Seaspan Management Services Limited (the Manager), an affiliated privately owned company that provided technical, administrative and strategic services to the Company. The Company's acquisition of the Manager increased its control over access to the fixed-rate services that the Manager provides to the Company on a long-term basis, and reduced certain conflicts between the Company and its directors who have interests in the Manager.

The aggregate purchase price was \$106,518,000, including:

4,220,728 of the Company's Class A common shares	\$ 66,899
Contingent consideration	18,437
Settlement of intercompany balances	20,022
Stock based compensation	1,160
Aggregate purchase price	\$ 106,518

Under the Share Purchase Agreement, \$7,500,000 or 586,212 shares of Class A common shares were deposited in escrow for settlement of potential indemnifiable damages. The escrowed shares were released on January 30, 2013, which was the end of the escrow period.

The value of the Company's Class A common shares issued was determined based on the closing market price of those common shares on January 26, 2012.

The contingent consideration arrangement requires the Company to pay the former owners of the Manager additional consideration of 39,081 of the Company's Class A common shares for each of certain containerships ordered or acquired by the Company, Greater China Intermodal Investments LLC (GCI) or Blue Water Commerce, LLC (collectively, the Contingency Parties) after December 12, 2011 and prior to August 15, 2014 and which are to be managed by the Company. The fair value of the contingent consideration is based on the estimated containership orders and acquisitions of each of the Contingency Parties prior to August 15, 2014. At June 30, 2013, 39,081 contingent shares are issuable.

For the six months ended June 30, 2013, the Company incurred no acquisition-related costs (June 30, 2012 - \$497,000) that have been included in general and administrative expense in the Company's consolidated statements of operations.

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Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2013 and 2012

(Unaudited)

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

3. Related party transactions:

Prior to the acquisition of the Manager on January 27, 2012, the ultimate beneficial owners of the Manager directly and indirectly owned common shares and preferred shares, of the Company. The Company had entered into management agreements with the Manager for the provision of certain technical, strategic and administrative services for fees:

Technical Services - The Manager was responsible for providing ship operating services to the Company in exchange for a fixed fee per day per vessel. The technical services fee did not include certain extraordinary items, as defined in the management agreements.

Administrative and Strategic Services - The Manager provided administrative and strategic services to the Company for the management of the business for a fixed fee of \$72,000 per year. The Company also reimbursed all reasonable expenses incurred by the Manager in providing these services to the Company.

The Company incurred the following costs under the management agreements with the Manager which were incurred prior to the date of acquisition:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Technical services	\$	\$	\$	\$ 9,700
Dry-dock activities included in technical services				421
Other services				410

The Company incurred the following costs with related parties:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Arrangement fees	\$ 1,512	\$	\$ 4,564	\$
Transaction fees	653		1,513	
Reimbursed expenses	18		36	

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At June 30, 2013, the Company had \$1,567,000 (December 31, 2012 - \$1,501,000) due from other related parties included in accounts receivable and \$596,000 (December 31, 2012 - nil) included in accounts payable.

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Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2013 and 2012

(Unaudited)

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

4. Vessels:

June 30, 2013	Cost	Accumulated depreciation	Net book value
Vessels	\$ 5,365,016	\$ 636,752	\$ 4,728,264
Vessels under construction	174,650		174,650
Vessels	\$ 5,539,666	\$ 636,752	\$ 4,902,914

December 31, 2012	Cost	Accumulated depreciation	Net book value
Vessels	\$ 5,339,550	\$ 553,582	\$ 4,785,968
Vessels under construction	77,305		77,305
Vessels	\$ 5,416,855	\$ 553,582	\$ 4,863,273

During the six months ended June 30, 2013, the Company capitalized interest costs of \$2,644,000 (June 30, 2012 - \$2,493,000) to vessels under construction.

5. Deferred charges:

	Dry-docking	Financing fees	Total
December 31, 2012	\$ 12,694	\$ 31,122	\$ 43,816
Cost incurred	1,193	16,355	17,548
Amortization expensed	(1,806)	(4,376)	(6,182)
Amortization capitalized		(477)	(477)
June 30, 2013	\$ 12,081	\$ 42,624	\$ 54,705

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Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2013 and 2012

(Unaudited)

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

6. Deferred revenue:

	June 30, 2013	December 31, 2012
Deferred revenue on time charters	\$ 6,210	\$ 19,861
Deferred interest on lease receivable	10,123	12,503
Other deferred revenue	1,040	650
Deferred revenue	17,373	33,014
Current portion	(11,481)	(25,111)
Deferred revenue	\$ 5,892	\$ 7,903

7. Long-term debt:

	June 30, 2013	December 31, 2012
Long-term debt:		
Revolving credit facilities	\$ 2,278,442	\$ 2,287,942
Term loan credit facilities	814,916	803,002
Long-term debt	3,093,358	3,090,944
Current portion	(150,612)	(66,656)
Long-term debt	\$ 2,942,746	\$ 3,024,288

On January 28, 2013, the Company entered into a LIBOR based term loan facility with an Asian bank of up to \$340,000,000 to be used towards the refinancing of existing vessels. The facility bears interest at LIBOR plus a margin. The Company is subject to a commitment fee of 0.4% per annum calculated on the undrawn amount of the loan. At June 30, 2013, no amounts have been drawn under this facility.

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On February 28, 2013, the Company entered into two term loans of \$4,500,000 each. The proceeds of these term loans were used to fund a portion of the construction cost of two 10000 TEU vessels. The loans are non-interest bearing until the respective delivery dates of the vessels which is expected to be in 2014. Upon delivery of the respective vessels, the loans will begin bearing interest at 6% per annum, payable quarterly, and mature on the third anniversary of the respective delivery date. The Company has an option to extend the term of the loans by two years. The loans will bear interest at 7% per annum, payable quarterly over the extension period.

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Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2013 and 2012

(Unaudited)

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

7. Long-term debt (continued):

On April 25, 2013, the Company entered into a term loan facility with an Asian bank for up to \$174,000,000 to be used to fund construction of two 14000 TEU newbuilding containerships. Upon drawdown, interest is payable every three or six months calculated at the LIBOR rate for the relevant three or six month period plus a margin. The Company is subject to a commitment fee of 0.75% per annum calculated on the undrawn amount of the loan. At June 30, 2013, no amounts have been drawn under this facility.

On June 20, 2013, the Company entered into a term loan facility with a U.S bank and an Australian bank for up to \$30,000,000 to be used to fund the purchase price of two 4600 TEU containerships. Upon drawdown, interest is payable every three months calculated at the LIBOR rate for the relevant three month period plus a margin. At June 30, 2013, no amounts have been drawn under this facility.

8. Share capital:

Preferred shares:

The Company had the following preferred shares outstanding:

Series	Authorized	Shares Issued	Liquidation preference	
			June 30, 2013	December 31, 2012
A	315,000	200,000	\$ 324,345	\$ 305,872
B	260,000			
C	40,000,000	14,000,000	350,000	350,000
D	20,000,000	3,105,000	77,625	77,625
R	1,000,000			

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Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2013 and 2012

(Unaudited)

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

9. Earnings per share:

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

Three months ended

	Earnings (numerator)	Shares (denominator)	Per share amount
June 30, 2013			
Net earnings	\$ 127,154		
Less:			
Series A preferred share dividends	(9,423)		
Series C preferred share dividends	(8,631)		
Series D preferred share dividends	(1,545)		
Basic EPS:			
Earnings attributable to common shareholders	\$ 107,555	64,487,000	\$ 1.67
Effect of dilutive securities:			
Share-based compensation		399,000	
Contingent consideration (note 2)		508,000	
Convertible Series A preferred shares	9,423	21,309,000	
Diluted EPS:			
Earnings attributable to common shareholders plus assumed conversion	\$ 116,978	86,703,000	\$ 1.35

Three months ended

	Earnings (numerator)	Shares (denominator)	Per share amount
June 30, 2012			
Net loss	\$ (6,749)		
Less:			
Series A preferred share dividends	(8,371)		
Series C preferred share dividends	(8,569)		

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Basic and diluted EPS⁽¹⁾ :

Loss attributable to common shareholders	\$ (23,689)	62,608,000	\$ (0.38)
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- ⁽¹⁾ The convertible Series A preferred shares, contingent consideration, shares held in escrow and share-based compensation are not included in the computation of diluted EPS because their effects are anti-dilutive for the period.

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Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2013 and 2012

(Unaudited)

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

9. Earnings per share (continued):

Six months ended

June 30, 2013	Earnings (numerator)	Shares (denominator)	Per share amount
Net earnings	\$ 182,760		
Less:			
Series A preferred share dividends	(18,473)		
Series C preferred share dividends	(17,251)		
Series D preferred share dividends	(3,088)		
Basic EPS:			
Earnings attributable to common shareholders	\$ 143,948	64,129,000	\$ 2.24
Effect of dilutive securities:			
Share-based compensation		382,000	
Contingent consideration (note 2)		743,000	
Shares held in escrow (note 2)		95,000	
Convertible Series A preferred shares	18,473	21,001,000	
Diluted EPS:			
Earnings attributable to common shareholders plus assumed conversion	\$ 162,421	86,350,000	\$ 1.88

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SEASPAN CORPORATION

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(Unaudited)

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

9. Earnings per share (continued):

Six months ended			
June 30, 2012	Earnings (numerator)	Shares (denominator)	Per share amount
Net earnings	\$ 44,509		
Less:			
Series A preferred share dividends	(16,499)		
Series C preferred share dividends	(17,102)		
Basic EPS:			
Earnings attributable to common shareholders	\$ 10,908	63,153,000	\$ 0.17
Effect of dilutive securities:			
Share-based compensation		204,000	
Contingent consideration (note 2)		605,000	
Shares held in escrow (note 2)		504,000	
Diluted EPS:			
Earnings attributable to common shareholders plus assumed conversion	\$ 10,908	64,466,000	\$ 0.17

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(Unaudited)

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

10. Share-based compensation:

A summary of the Company's outstanding restricted shares, phantom share units and stock appreciation rights (SARs) as of and for the six month period ended June 30, 2013 is presented below:

Restricted shares	Number of shares	Weighted average grant date fair value
Outstanding, December 31, 2012	63,653	\$ 14.17
Granted	54,990	17.01
Vested	(65,578)	14.25
Cancelled	(4,185)	17.01
June 30, 2013	48,880	\$ 17.01

Phantom share units	Number of shares	Weighted average grant date fair value
Outstanding, December 31, 2012	562,000	\$ 13.13
Granted	95,000	19.30
June 30, 2013	657,000	\$ 14.02

Stock appreciation rights	Number of SARs	Weighted average grant date fair value
Outstanding, December 31, 2012	5,674,148	\$ 2.03
Granted	1,664,457	3.51
June 30, 2013	7,338,605	\$ 2.37

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As vested outstanding phantom share units are only exchanged for common shares upon written notice from the holder, the phantom share units that are exchanged for common shares may include units that vested in prior periods. At June 30, 2013, 460,000 (December 31, 2012 - 328,000) of the outstanding phantom share units were vested and available for exchange by the holder. At June 30, 2013, there are 738,514 (December 31, 2012 - 884,319) remaining shares left for issuance under this Plan.

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For the three and six months ended June 30, 2013 and 2012

(Unaudited)

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

10. Share-based compensation (continued):

On March 27, 2013, the Company granted 1,664,457 SARs to certain members of management (the Participants) which vest and become exercisable in three tranches when and if the fair market value of the common shares equals or exceeds the applicable base price for each tranche for any 20 consecutive trading days on or before the expiration date of each tranche. The Participants may exercise each vested tranche of SARs and receive common shares with a value equal to the difference between the applicable base price and the fair market value of the common shares on the exercise date. The common shares received on the exercise of SARs are subject to a retention requirement where the Participant is required to retain ownership of 50% of the net after tax number of shares until the later of March 22, 2018 or 120 days after the exercise date.

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

Average expected term	3.8 years
Expected volatility	39.73%
Dividend yield	4.97%
Average risk free rate	0.50%

	Number of SARs	Base price	Expiration date
Tranche 1	531,885	\$ 21.50	December 31, 2015
Tranche 2	556,946	24.00	December 31, 2016
Tranche 3	575,626	26.50	December 31, 2017
Total	1,664,457		

During the three and six months ended June 30, 2013, the Company recognized \$701,000 and \$1,300,000 (June 30, 2012 - \$656,000 and \$1,404,000) related to restricted share units and phantom share units and \$150,000 and \$300,000 (June 30, 2012 - \$188,000 and \$375,000) in share-based compensation expenses related to other stock-based awards.

During the three and six months ended June 30, 2013, the first tranche of SARs vested earlier than what had been estimated using the Monte Carlo model. As a result, recognition of \$2,550,000 in share-based compensation expense related to the first tranche of SARs was accelerated during the three and six months ended June 30, 2013 (June 30, 2012 - nil and nil). The total share-based compensation expense related to SARs, including the accelerated expense of \$2,550,000 described above, for the three and six months ended June 30, 2013 was \$5,780,000 and \$7,842,000 (June 30, 2012 - nil and nil).

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For the three and six months ended June 30, 2013 and 2012

(Unaudited)

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

10. Share-based compensation (continued):

In addition, during the three and six months ended June 30, 2013, the Company recognized \$382,000 and \$756,000 (June 30, 2012 - nil and \$184,000) in other stock-based awards that were capitalized to vessels under construction.

During the three and six months ended June 30, 2013, the total fair value of shares vested was \$33,000 and \$935,000 (June 30, 2012 - nil and \$563,000) and the total fair value of shares cancelled was \$71,000 (June 30, 2012 - nil and nil).

At June 30, 2013, there was \$11,336,000 (December 31, 2012 - \$12,519,000) of total unrecognized compensation costs relating to unvested share-based compensation awards and SARs, which are expected to be recognized over a weighted average period of 20 months.

11. Supplemental cash flow information:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Interest paid on debt	\$ 14,313	\$ 15,030	\$ 30,293	\$ 26,337
Interest received	605	12	1,392	246
Undrawn credit facility fee paid	225	338	506	780
Non-cash transactions:				
Dividends on Series A preferred shares	9,423	8,371	18,473	16,499
Dividend reinvestment	8,726	916	15,348	5,277
Other long-term liabilities for vessels under construction				84,787
Long-term debt for vessels under construction	10,040	71,400	26,640	71,400
Acquisition of the Manager for shares, excluding cash received				73,795
Proceeds on sale of vessel		52,104		52,104
Loan repayment for vessels under construction			3,080	

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For the three and six months ended June 30, 2013 and 2012

(Unaudited)

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

12. Commitments:

- (a) As of June 30, 2013, based on the contractual delivery dates, the outstanding commitments for the purchase of additional vessels and installment payments for vessels under construction is as follows:

Remainder of 2013	\$ 44,380
2014	418,640
2015	235,380
	\$ 698,400

- (b) As of June 30, 2013, the minimum future revenues to be received on committed time charter party agreements and interest income from sales-type capital leases are approximately:

Remainder of 2013	\$ 334,922
2014	693,794
2015	743,864
2016	706,349
2017	636,481
Thereafter	3,041,855
	\$ 6,157,265

The minimum future revenues are based on 100% utilization, relate to committed time charter party agreements in effect at June 30, 2013 and assume no renewals or extensions.

- (c) As of June 30, 2013, the commitment under operating leases is as follows:

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Remainder of 2013	\$ 3,403
2014	6,882
2015	6,893
2016	6,911
2017	6,969
Thereafter	24,088
	\$ 55,146

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For the three and six months ended June 30, 2013 and 2012

(Unaudited)

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

13. Concentrations:

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

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
COSCON	\$ 74,671	\$ 72,584	\$ 149,268	\$ 129,786
CSCL Asia	34,645	38,877	69,242	78,678
K-Line	18,984	18,983	37,762	37,969
HL USA	14,739	14,697	29,319	29,176
Other	24,747	22,496	47,119	45,460
	\$ 167,786	\$ 167,637	\$ 332,710	\$ 321,069

14. Financial instruments:

(a) Fair value:

The carrying values of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair values because of their short term to maturity. As of June 30, 2013, the fair value of the Company's long-term debt is \$2,671,593,000 (December 31, 2012 - \$2,641,016,000). As of June 30, 2013, the fair value of the Company's other long-term liabilities is \$601,687,000 (December 31, 2012 - \$631,041,000). The fair value of long-term debt and other long-term liabilities are estimated based on expected interest and principal repayments, discounted by forward rates plus a margin appropriate to the credit risk of the Company.

The Company's interest rate derivative financial instruments are re-measured to fair value at the end of each reporting period. The fair values of the interest rate derivative financial instruments have been calculated by discounting the future cash flow of both the fixed rate and variable rate interest rate payments. The discount rate was derived from a yield curve created by nationally recognized financial institutions adjusted for the associated credit risk. The fair values of the interest rate derivative financial instruments are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Therefore, the Company has categorized the fair value of these derivative financial instruments as Level 2 in the fair value hierarchy.

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14. Financial instruments (continued):

(b) Interest rate derivative financial instruments:

As of June 30, 2013, the Company had the following outstanding interest rate derivatives:

Fixed per	Notional			
annum rate	amount as of	Maximum		
swapped	June 30,	notional		
for LIBOR	2013	amount ⁽¹⁾	Effective date	Ending date
5.6400%	\$714,500	\$714,500	August 31, 2007	August 31, 2017 ⁽²⁾
5.1750%	607,149	663,399	July 16, 2012	July 15, 2016
5.4200%	438,462	438,462	September 6, 2007	May 31, 2024
5.6000%	194,000	200,000	June 23, 2010	December 23, 2021 ⁽²⁾
5.0275%	111,000	158,000	May 31, 2007	September 30, 2015
5.5950%	106,800	106,800	August 28, 2009	August 28, 2020
5.2600%	106,800	106,800	July 3, 2006	February 26, 2021 ^{(2) (3)}
5.2000%	90,240	96,000	December 18, 2006	October 2, 2015
5.4975%	59,700	59,700	July 31, 2012	July 31, 2019
5.1700%	24,000	55,500	April 30, 2007	May 29, 2020
5.8700%		620,390	August 31, 2017	November 28, 2025

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

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

⁽³⁾ The Company has entered into a swaption agreement with a bank (Swaption Counterparty A) whereby Swaption Counterparty A has the option to require the Company to enter into an interest rate swap to pay LIBOR and receive a fixed rate of 5.26%. This is a European option and is open for a two hour period on February 26, 2014 after which it expires. The notional amount of the underlying swap is \$106,800,000 with an effective date of February 28, 2014 and an expiration date of February 26, 2021. If Swaption Counterparty A exercises the swaption, the underlying swap effectively will offset the Company's 5.26% pay fixed LIBOR swap from February 28, 2014 to February 26, 2021.

In addition to the swaps listed above, the Company has entered into swaption agreements with a bank (Swaption Counterparty B) whereby Swaption Counterparty B has the option to require the Company to enter into interest rate swaps, by February 28, 2017, to pay LIBOR and

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receive a fixed rate of 1.183% and to pay 0.5% and receive LIBOR, respectively. The notional amounts of the underlying swaps are each \$200,000,000 with an effective date of March 2, 2017 and an expiration date of March 2, 2027.

The swaption agreements with Swaption Counterparty B are subject to a master netting agreement but are each recorded at the gross amount on the balance sheet. At June 30, 2013, these swaptions had asset and liability values of \$52,143,000 and \$41,764,000, respectively (December 31, 2012 - asset of \$41,031,000 and liability of \$30,547,000).

Counterparties to the derivative financial instruments are major financial institutions. Due to the nature of the counterparties and the fact that the instruments were primarily in favor of counterparties at June 30, 2013, the risk of credit loss related to these counterparties is considered to be immaterial at June 30, 2013.

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For the three and six months ended June 30, 2013 and 2012

(Unaudited)

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

14. Financial instruments (continued):

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

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

Fair value of asset and liability derivatives:

	June 30, 2013	December 31, 2012
Fair value of financial instruments asset	\$ 52,143	\$ 41,031
Fair value of financial instruments liability	485,995	606,740

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

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Gain/(Loss) on derivatives recognized in net earnings:				
Change in fair value of financial instruments	\$ 71,193	\$ (82,084)	\$ 68,527	\$ (86,760)
Loss reclassified from AOCL to net earnings ⁽¹⁾				
Interest expense	(1,384)	(2,194)	(2,963)	(4,736)
Depreciation and amortization	(219)	(218)	(442)	(384)

⁽¹⁾ The effective portion of changes in unrealized loss on interest rate swaps was recorded in accumulated other comprehensive income until September 30, 2008 when these contracts were de-designated as accounting hedges. The amounts in accumulated other comprehensive income will be recognized in earnings when and where the previously hedged interest is recognized in earnings.

The estimated amount of AOCL expected to be reclassified to net earnings within the next 12 months is approximately \$5,724,000.

(c) Foreign exchange derivative instruments:

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We are exposed to market risk from foreign currency fluctuations. We have entered into foreign currency forward contracts to manage foreign currency fluctuations. At June 30, 2013, the notional amount of the foreign exchange forward contracts is \$14,600,000 (December 31, 2012 - \$7,000,000) and the fair value liability is \$505,000 (December 31, 2012 - \$12,000).

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SEASpan CORPORATION

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(Unaudited)

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

15. Subsequent events:

- (a) On July 4, 2013, the Company accepted delivery of the MOL Efficiency. The 4600 TEU vessel is on charter to Mitsui O.S.K. Lines Ltd. under a two-year, fixed-rate time charter.
- (b) On July 16, 2013, the Company declared quarterly dividends of \$0.59375 and \$0.496875 per Series C and Series D preferred share, respectively, representing a total distribution of \$9,855,000. The dividends were paid on July 30, 2013 to all shareholders of record on July 29, 2013.
- (c) On July 19, 2013 the Company entered into contracts for the construction of newbuilding containerships with a major Asian shipbuilder. The vessels are scheduled for delivery in 2015 and have an aggregate purchase price of approximately \$550,000,000.
- (d) On July 24, 2013, the Company declared a quarterly dividend of \$0.3125 per common share. The dividend is payable on August 21, 2013 to all shareholders of record as of August 12, 2013.
- (e) On July 25, 2013 the Company entered into a term loan facility with a leading European bank for up to \$83,000,000 to fund the construction of one 14000 TEU newbuilding containership to be chartered to Yang Ming Marine Transport Corp.

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

Overview

We are a leading independent charter owner and manager of containerships, which we charter primarily pursuant to long-term, fixed-rate time charters with major container liner companies. As of June 30, 2013, we operated a fleet of 70 containerships (including eight vessels under long-term leases) and we have entered into contracts for the purchase of an additional eight newbuilding containerships and one existing vessel, which have scheduled delivery dates through May 2015. Each of our newbuilding vessels will commence operation under long-term, fixed-rate charters upon delivery, and the existing vessel will commence operation under a short-term, fixed-rate charter upon delivery. The average age of the 70 vessels in our operating fleet was approximately six years as of June 30, 2013.

We primarily deploy our vessels on long-term, fixed-rate time charters to take advantage of the stable cash flow and high utilization rates that are typically associated with long-term time charters. As of June 30, 2013, the charters on the 70 vessels in our operating fleet had an average remaining term of approximately six years, excluding the effect of charterers' options to extend certain time charters.

Customers for our operating fleet as at June 30, 2013 were as follows:

Customers for Current Fleet

COSCON
CSAV
CSCL Asia
HL USA

Hapag-Lloyd
K-Line

MSC
MOL
Yang Ming

Customers for Additional 9 Vessel Deliveries

Hanjin

MOL

Yang Ming Marine

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

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Significant Developments

Vessel Deliveries

In June 2013, we accepted delivery of the MOL Excellence, bringing our operating fleet to a total of 70 vessels as of June 30, 2013. The MOL Excellence, a 2003-built 4600 TEU vessel, is on charter to MOL under a two-year, fixed-rate time charter.

Subsequent to the second quarter, on July 4, 2013, we accepted delivery of the MOL Efficiency, bringing our operating fleet to 71 vessels. The MOL Efficiency, a 2003-built 4600 TEU vessel, is on charter to MOL under a two-year, fixed-rate time charter.

Time Charters

In July 2013, three vessels were re-delivered to us and these were subsequently re-chartered. The Seaspan Chiwan commenced a time charter for up to seven months. The Seaspan Dalian and Seaspan Felixstowe commenced time charters for up to 30 months with an additional option period of six to 12 months. The Seaspan Ningbo was re-delivered to us on August 1, 2013 and will be off-charter until a charter is entered into.

Newbuilding Contracts

In January 2013, we entered into contracts for the construction of five 14000 TEU newbuilding containerships with HHI. The vessels are scheduled for delivery in 2015, and will be constructed using our fuel efficient SAVER design. Concurrently, we signed long-term, fixed-rate time charters for these vessels with Yang Ming Marine. After the initial long-term charter periods, Yang Ming Marine may extend the charter for each vessel for up to two additional years. Pursuant to our right of first refusal agreement with Greater China Intermodal Investments, LLC, or GCI, we will retain three of the 14000 TEU newbuilding containerships and GCI will acquire the remaining two vessels.

In January 2013, we entered into contracts for the construction of four 10000 TEU newbuilding containerships with New Jiangsu and Jiangsu Xinfu. The vessels are scheduled for delivery in 2014 and will be constructed using our fuel efficient SAVER design. Concurrently, we signed long-term, fixed-rate time charters for these vessels with MOL. After the initial long-term charter periods, MOL may extend the charter for each vessel for up to two additional years. In connection with this transaction, we also agreed to purchase from MOL four existing 2003-built 4600 TEU vessels and have signed two year short-term fixed-rate time charters for these vessels with MOL. As of July 4, 2013, two of these vessels have been delivered and the remaining two vessels are expected to be delivered by early 2014. Pursuant to our right of first refusal agreement with GCI, we will retain two of the 10000 TEU newbuilding containerships and two of the existing vessels and GCI will acquire the remaining two 10000 TEU newbuilding containerships and two existing vessels.

We will supervise the construction of all nine newbuilding vessels and manage all 13 vessels included in these transactions.

Loan Facility Transactions

On April 25, 2013, we entered into a term loan facility with an Asian bank for up to \$174.0 million to be used to fund the construction of two 14000 TEU newbuilding containerships to be chartered to Yang Ming Marine.

On June 20, 2013, we entered into a term loan facility with a U.S. bank and an Australian bank for up to \$30.0 million to be used to fund the purchase price of two 4600 TEU containerships on charter to MOL. We drew the full \$30.0 million of this facility on July 9, 2013.

Recent Developments

Newbuilding Contracts

On July 19, 2013, we entered into contracts with a major Asian shipbuilder for certain newbuilding containerships. The vessels are scheduled for delivery in 2015 and have an aggregate purchase price of approximately \$550 million. We expect to sign long-term time charters with one of the liner majors shortly.

Loan Facility Transaction

On July 25, 2013, we entered into a term loan facility with a leading European bank for up to \$83.0 million to fund the construction of one of our 14000 TEU newbuilding containerships to be chartered to Yang Ming Marine. With this transaction, all three 14000 TEU newbuilding

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containerships to be chartered to Yang Ming Marine are now financed.

Dividends

On July 24, 2013, our board of directors declared a quarterly dividend of \$0.3125 per share on our Class A common stock. The dividend will be paid on August 21, 2013 to all shareholders of record as of August 12, 2013. We expect common share dividends for the four quarters ending December 31, 2013 to total \$1.25 per share.

On July 30, 2013, we paid quarterly dividends of \$0.59375 and \$0.496875 per share on our 9.5% Series C preferred shares and 7.95% Series D preferred shares, respectively. The dividends, representing a total distribution of \$9.9 million, were paid to all Series C and Series D preferred shareholders of record as of July 29, 2013 for the period from April 30, 2013 to July 29, 2013.

Table of Contents**Our Fleet***Our Current Fleet*

The following table summarizes key facts regarding our 70 operating vessels as of June 30, 2013:

Vessel Name	Vessel Class (TEU)	Year Built	Charter Start Date	Charterer	Length of Charter	Daily Charter Rate (in thousands)
COSCO Glory	13100	2011	6/10/11	COSCON	12 years	\$55.0
COSCO Pride ⁽¹⁾	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 ⁽¹⁾	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
CSCL Zeebrugge	9600	2007	3/15/07	CSCL Asia	12 years	34.5 ⁽²⁾
CSCL Long Beach	9600	2007	7/6/07	CSCL Asia	12 years	34.0 ⁽²⁾
CSCL Oceania	8500	2004	12/4/04	CSCL Asia	12 years + one 3-year option	29.8 ⁽³⁾
CSCL Africa	8500	2005	1/24/05	CSCL Asia	12 years + one 3-year option	29.8 ⁽³⁾
COSCO Japan	8500	2010	3/9/10	COSCON	12 years + three 1-year options	42.9 ⁽⁴⁾
COSCO Korea	8500	2010	4/5/10	COSCON	12 years + three 1-year options	42.9 ⁽⁴⁾
COSCO Philippines	8500	2010	4/24/10	COSCON	12 years + three 1-year options	42.9 ⁽⁴⁾
COSCO Malaysia	8500	2010	5/19/10	COSCON	12 years + three 1-year options	42.9 ⁽⁴⁾
COSCO Indonesia	8500	2010	7/5/10	COSCON	12 years + three 1-year options	42.9 ⁽⁴⁾
COSCO Thailand	8500	2010	10/20/10	COSCON	12 years + three 1-year options	42.9 ⁽⁴⁾
COSCO Prince Rupert	8500	2011	3/21/11	COSCON	12 years + three 1-year options	42.9 ⁽⁴⁾
COSCO Vietnam ⁽⁵⁾	8500	2011	4/21/11	COSCON	12 years + three 1-year options	42.9 ⁽⁴⁾
MOL Emerald	5100	2009	4/30/09	MOL	12 years	28.9
MOL Eminence	5100	2009	8/31/09	MOL	12 years	28.9
MOL Emissary	5100	2009	11/20/09	MOL	12 years	28.9
MOL Empire	5100	2010	1/8/10	MOL	12 years	28.9
MSC Veronique	4800	1989	11/25/11	MSC	5 years	10.0 ⁽⁶⁾
MSC Manu	4800	1988	11/15/11	MSC	5 years	10.0 ⁽⁶⁾
MSC Lianne	4800	1989	10/19/11	MSC	5 years	10.0 ⁽⁶⁾
MSC Carole	4800	1989	10/12/11	MSC	5 years	10.0 ⁽⁶⁾
MOL Excellence	4600	2003	6/13/13	MOL	2 years + one 1-year option	Market rate ⁽⁷⁾
Brotonne Bridge ⁽¹⁾	4500	2010	10/25/10	K-Line	12 years + two 3-year options	34.3 ⁽⁸⁾
Brevik Bridge ⁽¹⁾	4500	2011	1/25/11	K-Line	12 years + two 3-year options	34.3 ⁽⁸⁾
Bilbao Bridge ⁽¹⁾	4500	2011	1/28/11	K-Line	12 years + two 3-year options	34.3 ⁽⁸⁾
Berlin Bridge ⁽¹⁾	4500	2011	5/9/11	K-Line	12 years + two 3-year options	34.3 ⁽⁸⁾
Budapest Bridge ⁽¹⁾	4500	2011	8/1/11	K-Line	12 years + two 3-year options	34.3 ⁽⁸⁾
Seaspan Hamburg ⁽⁹⁾	4250	2001	5/4/13	CSCL Asia	Up to 1 year	Market rate ⁽⁷⁾⁽¹⁰⁾
CSCL Chiwan ⁽¹¹⁾	4250	2001	9/20/01	CSCL Asia	10 years + one 2-year option	19.0 ⁽¹⁰⁾
Seaspan Ningbo	4250	2002	4/17/13	CSCL Asia	Up to 6 months	Market rate ⁽⁷⁾
Seaspan Dalian	4250	2002	3/24/13	Hapag-Lloyd	Up to 5 months	Market rate ⁽⁷⁾⁽¹²⁾
Seaspan Felixstowe	4250	2002	3/31/13	Hapag-Lloyd	Up to 5 months	Market rate ⁽⁷⁾⁽¹³⁾
CSCL Vancouver	4250	2005	2/16/05	CSCL Asia	12 years	17.0
CSCL Sydney	4250	2005	4/19/05	CSCL Asia	12 years	17.0
CSCL New York	4250	2005	5/26/05	CSCL Asia	12 years	17.0
CSCL Melbourne	4250	2005	8/17/05	CSCL Asia	12 years	17.0
CSCL Brisbane	4250	2005	9/15/05	CSCL Asia	12 years	17.0
New Delhi Express	4250	2005	10/19/05	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹⁴⁾	18.0 ⁽¹⁵⁾
Dubai Express	4250	2006	1/3/06	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹⁴⁾	18.0 ⁽¹⁵⁾
Jakarta Express	4250	2006	2/21/06	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹⁴⁾	18.0 ⁽¹⁵⁾
Saigon Express	4250	2006	4/6/06	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹⁴⁾	18.0 ⁽¹⁵⁾
Lahore Express	4250	2006	7/11/06	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹⁴⁾	18.0 ⁽¹⁵⁾
Rio Grande Express	4250	2006	10/20/06	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹⁴⁾	18.0 ⁽¹⁵⁾
Santos Express	4250	2006	11/13/06	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹⁴⁾	18.0 ⁽¹⁵⁾

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Rio de Janeiro Express	4250	2007	3/28/07	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹⁴⁾	18.0 ⁽¹⁵⁾
Manila Express	4250	2007	5/23/07	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽¹⁴⁾	18.0 ⁽¹⁵⁾
CSAV Loncomilla	4250	2009	4/28/09	CSAV	6 years	25.9
CSAV Lumaco	4250	2009	5/14/09	CSAV	6 years	25.9
CSAV Lingue	4250	2010	5/17/10	CSAV	6 years	25.9
CSAV Lebu	4250	2010	6/7/10	CSAV	6 years	25.9
Madinah ⁽¹⁾	4250	2009	6/20/12	Yang Ming	Up to 12 months ⁽¹⁶⁾	Market rate ⁽⁷⁾
COSCO Fuzhou	3500	2007	3/27/07	COSCON	12 years	19.0
COSCO Yingkou	3500	2007	7/5/07	COSCON	12 years	19.0
CSCL Panama	2500	2008	5/14/08	CSCL Asia	12 years	16.8 ⁽¹⁷⁾
CSCL São Paulo	2500	2008	8/11/08	CSCL Asia	12 years	16.8 ⁽¹⁷⁾
CSCL Montevideo	2500	2008	9/6/08	CSCL Asia	12 years	16.8 ⁽¹⁷⁾
CSCL Lima	2500	2008	10/15/08	CSCL Asia	12 years	16.8 ⁽¹⁷⁾
CSCL Santiago	2500	2008	11/8/08	CSCL Asia	12 years	16.8 ⁽¹⁷⁾
CSCL San Jose	2500	2008	12/1/08	CSCL Asia	12 years	16.8 ⁽¹⁷⁾
CSCL Callao	2500	2009	4/10/09	CSCL Asia	12 years	16.8 ⁽¹⁷⁾
CSCL Manzanillo	2500	2009	9/21/09	CSCL Asia	12 years	16.8 ⁽¹⁷⁾
Guayaquil Bridge	2500	2010	3/8/10	K-Line	10 years	17.9
Calicanto Bridge	2500	2010	5/30/10	K-Line	10 years	17.9

(1) This vessel is leased pursuant to a lease agreement, which we used to finance the acquisition of the vessel.

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- (2) CSCL Asia has a charter of 12 years with a charter rate of \$34,000 per day for the first six years, increasing to \$34,500 per day for the second six years.
- (3) CSCL Asia has an initial charter of 12 years with a charter rate of \$29,500 per day for the first six years, \$29,800 per day for the second six years, and \$30,000 per day during the three-year option.
- (4) COSCON has an initial charter of 12 years with a charter rate of \$42,900 per day for the initial term and \$43,400 per day for the three one-year options.
- (5) The name of the Alianca Itapoa was changed to COSCO Vietnam in June 2013 in connection with the termination of the sub-charter from COSCON to Hamburg Süd.
- (6) MSC has a bareboat charter of five years with a charter rate of \$10,000 per day for the first two years, increasing to \$14,500 per day after two years. MSC has agreed to purchase the vessels for \$5.0 million each at the end of the five-year bareboat charter terms. In addition, we pay a 1.25% commission to a broker on all bareboat charter payments for these charters.
- (7) Given that the term of the charter is less than three years (excluding any charterers' option to extend the term), the vessel is being chartered at current market rates.
- (8) K-Line has an initial charter of 12 years with a charter rate of \$34,250 per day for the first six years, increasing to \$34,500 per day for the second six years, \$37,500 per day for the first three-year option period and \$42,500 per day for the second three-year option period.
- (9) The name of the CSAV Licanten was changed to Seaspan Hamburg in January 2013 in connection with the termination of the sub-charter from CSCL Asia to CSAV.
- (10) CSCL Asia had an initial charter of 10 years with a charter rate of \$18,000 per day for the first five years, \$18,300 per day for the second five years, and \$19,000 per day for the two-year option. CSCL Asia exercised its options on the Seaspan Hamburg and the CSCL Chiwan. In May 2013, the option period ended for the Seaspan Hamburg and we entered into a short term charter with CSCL Asia at market rates for up to one year. In July 2013, the option period ended for the CSCL Chiwan and the vessel commenced a time charter with Yang Ming at market rates for up to seven months.
- (11) The name of the CSCL Chiwan was changed to Seaspan Chiwan in July 2013.
- (12) This vessel was off-charter as of July 5, 2013, and commenced a short-term charter on July 17, 2013 for up to 30 months with an option period for an additional six to 12 months.
- (13) This vessel was off-charter as of July 10, 2013 and commenced a short-term charter on July 25, 2013 for up to 30 months with an option period for an additional six to 12 months.
- (14) For these charters, the initial term was three years, which automatically extends for up to an additional seven years in successive one-year extensions unless HL USA elects to terminate the charters with two years' prior written notice. HL USA would have been required to pay a fee of approximately \$8.0 million to terminate a charter at the end of the initial term. The termination fee declines by \$1.0 million per year per vessel in years four through nine. The initial terms of the charters for these vessels have expired, and these charters have been automatically extended pursuant to their terms.
- (15) HL USA had an initial charter of three years that automatically extends for up to an additional seven years in successive one-year extensions unless HL USA elects to terminate the charters with two years' prior written notice, with a charter rate of \$18,000 per day for the first one-year option remaining, increasing to \$18,500 per day for the second one-year option remaining.
- (16) The charterer has exercised its option to extend the term of the short-term charter.
- (17) CSCL Asia has a charter of 12 years with a charter rate of \$16,750 per day for the first six years, increasing to \$16,900 per day for the second six years.

Table of Contents*New Vessel Contracts*

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

As of June 30, 2013, we have contracted to purchase eight newbuilding containerships and one existing 4600 TEU vessel, which have scheduled delivery dates through to May 2015. These vessels consist of:

Vessel	Vessel Class (TEU)	Length of Time Charter ⁽¹⁾	Charterer	Scheduled Delivery Date	Shipbuilder
MOL Efficiency	4600	2 years + one 1-year option	MOL	2013	Mitsubishi Heavy Industries Ltd. (2003)
Hull No. 983	10000	10 years + one 2-year option	Hanjin	2014	New Jiangsu
Hull No. 985	10000	10 years + one 2-year option	Hanjin	2014	Jiangsu Xinfu
Hull No. 993	10000	10 years + one 2-year option	Hanjin	2014	New Jiangsu
Hull No. 1006	10000	8 years + one 2-year option	MOL	2014	New Jiangsu and Jiangsu Xinfu
Hull No. 1008	10000	8 years + one 2-year option	MOL	2014	New Jiangsu and Jiangsu Xinfu
Hull No. 2638	14000	10 years + one 2-year option	Yang Ming Marine	2015	HHI
Hull No. 2640	14000	10 years + one 2-year option	Yang Ming Marine	2015	HHI
Hull No. 2642	14000	10 years + one 2-year option	Yang Ming Marine	2015	HHI

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

The following table indicates the estimated number of owned, leased, and managed vessels in our fleet based on existing contracts and scheduled delivery dates as of June 30, 2013:

	Scheduled for the year ended December 31,			
	Quarter Ended June 30, 2013	2013	2014	2015
Owned and leased vessels, beginning of year	69	69	71	76
Deliveries	1	2	5	3
Total, end of period	70	71	76	79
Managed vessels, beginning of year			2	6
Deliveries	1	2	4	4
Total, end of period	1	2	6	10
Total Fleet	71	73	82	89
Total Capacity (TEU)	414,300	423,500	513,500	603,500

Three and Six Months Ended June 30, 2013 Compared with Three and Six Months Ended June 30, 2012

The following is a discussion of our results of operations for the three and six months ended June 30, 2013 and 2012. The following table provides information about our owned and leased fleet as of June 30, 2013 and excludes vessels that are managed for third parties, unless otherwise indicated.

Number of vessels in operation	70
Average age of fleet	6 years
TEU capacity	409,700
Average remaining initial term on outstanding charters	6 years

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We began 2012 with 65 vessels in operation and accepted delivery of four vessels during the year ended December 31, 2012, bringing our fleet to a total of 69 vessels in operation as at December 31, 2012. We accepted delivery of one additional vessel between December 31, 2012 and June 30, 2013, bringing our fleet to a total of 70 vessels as of June 30, 2013. Revenue is determined primarily by the number of operating days, and ship operating expense is determined primarily by the number of ownership days.

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	Three Months Ended				Six Months Ended			
	June 30,		Increase		June 30,		Increase	
	2013	2012	Days	%	2013	2012	Days	%
Operating days	5,874	5,809	65	1.1%	11,494	11,349	145	1.3%
Ownership days	5,933	5,847	86	1.5%	11,783	11,438	345	3.0%
Our vessel utilization for the three and six months ended June 30, 2013 and 2012 is as follows:								

⁽¹⁾ Unscheduled off-hire includes days related to vessels being off-charter.

Our consolidated financial results for the three and six months ended June 30, 2013 and 2012 are summarized below:

Financial Summary

(in millions)	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
	2013	2012	\$	%	2013	2012	\$	%
Revenue	\$ 167.8	\$ 167.6	\$ 0.1	0.1%	\$ 332.7	\$ 321.1	\$ 11.6	3.6%
Ship operating expenses	37.3	31.5	5.8	18.5%	74.9	66.1	8.8	13.4%
Depreciation and amortization expense	42.8	42.3	0.6	1.3%	85.6	80.2	5.4	6.7%
General and administrative expense	11.8	6.7	5.2	77.4%	19.6	12.5	7.1	56.7%
Operating lease expense	1.1		1.1	100.0%	2.2		2.2	100.0%
Gain on vessel		9.8	(9.8)	(100.0%)		9.8	(9.8)	(100.0%)
Interest expense	15.3	19.2	(3.9)	(20.3%)	30.8	36.1	(5.4)	(14.9%)
Change in fair value of financial instruments	(71.2)	82.1	153.3	186.7%	(68.5)	86.8	155.3	179.0%
Revenue								

Revenue increased by 0.1% and 3.6% for the three and six months ended June 30, 2013, respectively, over the same periods for 2012. This is due primarily to: the impact of a full period's contribution of the larger newbuilding vessels delivered in 2012 and higher time-charter rates associated with such vessels; revenue received from management of third party vessels; a decrease in scheduled off-hire; and the delivery of one vessel in June 2013. These increases over the same periods for 2012 were partially offset by: lower charter rates for five vessels which were on short-term charters during the period; one less day in 2013 due to the 2012 leap year; and an increase in unscheduled off-hire, which included 238 off-charter days for four of our 4250 TEU vessels for the six months ended June 30, 2013.

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The increase in operating days and the related financial impact for the three and six months ended June 30, 2013, relative to the corresponding periods in 2012, is attributable to the following:

	Three Months Ended June 30, 2013		Six Months Ended June 30, 2013	
	Operating days impact	\$ impact (in millions)	Operating days impact	\$ impact (in millions)
2013 vessel deliveries	18	\$ 0.4	18	\$ 0.4
Full period contribution for 2012 vessel deliveries	48	2.7	368	20.6
Change in daily charter hire rate and re-charters		(3.5)		(5.2)
One less day due to the 2012 leap year			(61)	(1.7)
Scheduled off-hire	5	0.4	49	1.5
Unscheduled off-hire	(26)	(0.9)	(249)	(5.2)
Vessel management revenue		0.9		1.2
Other	20	0.1	20	
Total	65	\$ 0.1	145	\$ 11.6

Vessel utilization was 99.0% and 97.5% for the three and six months ended June 30, 2013, respectively, compared to 99.4% and 99.2% for the comparable periods in 2012.

The decrease in vessel utilization for the six months ended June 30, 2013, compared to the same period in 2012, was primarily due to a 249-day increase in unscheduled off-hire which includes 238 off-charter days for four of our 4250 TEU vessels. During the six months ended June 30, 2013, we completed two scheduled dry-dockings, which resulted in 19 days of scheduled off-hire compared to the completion of five dry-dockings, which resulted in 68 days of scheduled off-hire, during the comparable period in 2012.

The dry-dockings we completed during the three and six months ended June 30, 2013 involved the following vessels:

Vessel	Completed
CSCL Montevideo	Q2
CSCL Panama	Q2

Our cumulative vessel utilization since our initial public offering in August 2005 through June 30, 2013 is 99.1%.

Ship Operating Expense

Ship operating expense increased by 18.5% to \$37.3 million and by 13.4% to \$74.9 million for the three and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The increases are due to 233 and 535, or 4.0% and 4.7%, more ownership and managed days for the three and six months ended June 30, 2013, respectively, related to the addition of four 13100 TEU vessels during the first half of 2012 and management of third party vessels. The larger TEU vessels are more expensive to operate and the increased cost of lubes, insurance and other operating costs associated with these vessels further contributed to higher ship operating expenses in 2013. In addition, spare parts expense increased by \$1.2 million and \$1.8 million for the three and six months ended June 30, 2013, respectively, compared to the same periods in 2012 primarily due to earlier timing of purchases in 2013 and increased expense due to an expanding and aging fleet.

Ship operating expense for the six months ended June 30, 2012 included fixed, daily per vessel fees totalling \$9.3 million, paid to our Manager for technical services prior to the acquisition of the Manager on January 26, 2012. Ship operating expenses for the six months ended June 30, 2012 also included \$56.8 million of direct costs incurred during the post-acquisition period from January 27 to June 30, 2012.

Table of Contents*Depreciation and Amortization Expense*

The increase in depreciation and amortization for the three and six months ended June 30, 2013 was due to the increase in the size of the fleet. Four vessels were delivered in the first six months of 2012 and a full period of depreciation was expensed for these vessels in the three and six months ended June 30, 2013.

General and Administrative Expenses

General and administrative expenses increased by 77.4% to \$11.8 million and by 56.7% to \$19.6 million for the three and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The increases for the three and six months ended June 30, 2013 over the same periods in 2012 were due primarily to increases of \$5.8 million and \$7.8 million, respectively, in stock-based compensation expense related to the non-cash stock appreciation rights (SARs) granted to our Chief Executive Officer in December 2012 and to certain members of management in March 2013. Of the \$5.8 million increase in stock-based compensation expense for the three months ended June 30, 2013, \$2.6 million resulted from an accelerated recognition of stock-based compensation expense related to the vesting of the first tranche of SARs. During the quarter ended June 30, 2013, the first tranche of SARs vested because the 20 consecutive trading-day average of our common stock exceeded the base price of \$21.50 per share for that tranche. The original vesting period that was being used to recognize the stock-based compensation expense was based on a fair value model. Because the first tranche of SARs vested earlier than had been estimated by the fair value model, we were required to accelerate recognition of \$2.6 million of stock-based compensation expense during the three months ended June 30, 2013, which amount otherwise would have been recognized later in 2013.

Operating Lease Expense

On June 27, 2012, we sold the Madinah to a U.S. bank and since that date we have been leasing the vessel back over a nine-year term. Prior to June 27, 2012, we owned the vessel and financed it with a term loan of \$53.0 million, which was repaid using the proceeds from the sale to the bank. During the three and six months ended June 30, 2013, we incurred operating lease expenses relating to this arrangement of \$1.1 million and \$2.2 million, respectively. In the comparable periods of 2012, instead of operating lease expense, we incurred interest expense of \$0.5 million and \$1.1 million on the \$53.0 million loan.

Gain on vessel

The \$53.0 million term loan credit facility matured on June 27, 2012 and on June 27, 2012, we sold the UASC Madinah to the U.S. bank for \$52.1 million, the amount outstanding under the term loan which resulted in a gain on vessel of \$9.8 million. The proceeds of this sale were used to fully repay the term loan.

Interest Expense

As at June 30, 2013, the balance of our long-term debt totaled \$3.1 billion and our other long-term liabilities totaled \$631.7 million. As at June 30, 2013, our operating debt balance was \$2.9 billion. Interest expense is comprised primarily of interest incurred on long-term debt and other long-term liabilities relating to operating vessels at the variable rate calculated by reference to LIBOR plus the applicable margin. Interest expense also includes a reclassification of amounts from accumulated other comprehensive loss related to previously designated hedging relationships. Interest incurred on long-term debt and other long-term liabilities for our vessels under construction is capitalized to the cost of the respective vessels under construction.

The decreases in interest expense for the three and six months ended June 30, 2013 of \$3.9 million and \$5.4 million, respectively, compared to the same periods of 2012 were primarily due to lower operating debt and other long-term liabilities as well as a reduction in average LIBOR. The remaining decreases were due to a lower reclassification of accumulated other comprehensive loss into earnings and repayment of the term loan of \$53.0 million in 2012 using the proceeds from the sale of the Madinah. For the six months ended June 30, 2013, the decrease in interest expense is partially offset by less interest capitalized as the average vessel under construction balance for the six months ended June 30, 2013 was lower than for the six months ended June 30, 2012. The average LIBOR charged on our long-term debt for the three months and six months ended June 30, 2013 was 0.2% compared to 0.5% for the comparable periods in 2012. Although we have entered into fixed interest rate swaps for much of our variable rate debt, the difference between the variable interest rate and the swapped fixed-rate on operating debt is recorded in our Change in fair value of financial instruments caption of the Statements of Operations.

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Change in Fair Value of Financial Instruments

The change in fair value of financial instruments resulted in a gain of \$71.2 million for the three months ended June 30, 2013, compared to a loss of \$82.1 million for the comparable period in 2012. The change in fair value of financial instruments resulted in a gain of \$68.5 million for the six months ended June 30, 2013, compared to a loss of \$86.8 million for the same period in 2012. The changes for the three and six months ended June 30, 2013, compared to the same periods in 2012 were primarily due to the effect of the passage of time and less discounting of expected future settlements.

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

The fair value of our interest rate swaps is most significantly impacted by changes in the yield curve. Based on the current notional amount and tenure of our interest rate swap portfolio, a one percent parallel shift in the overall yield curve is expected to result in a change in the fair value of our interest rate swaps and swaptions of approximately \$126.0 million. Actual changes in the yield curve are not expected to occur equally at all points and changes to the curve may be isolated to periods of time. This steepening or flattening of the yield curve may result in greater or lesser changes to the fair value of our financial instruments in a particular period than would occur had the entire yield curve changed equally at all points.

The fair value of our interest rate swaps is also impacted by changes in our company-specific credit risk included in the discount factor. We discount our derivative instruments with reference to publicly-traded bond yields for our comparator group in the shipping industry and composite Bloomberg industry yield curves. Based on the current notional amount and tenure of our swap portfolio, a one percent change in the discount factor is expected to result in a change in the fair value of our interest rate swaps and swaptions of approximately \$12.0 million.

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

Please read *Item 11. Quantitative and Qualitative Disclosures About Market Risk* in our 2012 Annual Report for additional information.

Liquidity and Capital Resources

Liquidity

As at June 30, 2013, our cash and cash equivalents and short-term investments totaled \$336.3 million. Our primary short-term liquidity needs are to fund our operating expenses, debt repayment, lease payments and payment of our quarterly dividends. Our medium-term liquidity needs primarily relate to the purchase of the containerships we have contracted to purchase, debt repayment, lease payments, and any open market repurchases of securities. Our long-term liquidity needs primarily relate to potential future vessel acquisitions, debt repayment and lease payments, any open market repurchases of securities, and the future potential redemption of our Series C and Series D Preferred Shares. The Series C Preferred Shares carry an annual dividend rate of 9.5% per \$25 of liquidation preference per share, which is subject to increase if, among other things, we do not redeem the shares in whole by January 30, 2017. The Series C Preferred Shares are redeemable by us at any time on or after January 30, 2016. The Series D Preferred Shares carry an annual dividend rate of 7.95% per \$25 of liquidation preference per share. The Series D Preferred Shares are redeemable by us at any time on or after January 30, 2018.

We anticipate that our primary sources of funds for our short and medium-term liquidity needs will be our committed credit facilities, new credit facilities, new lease obligations, additional debt or equity offerings as well as our cash from operations, while our long-term sources of funds will be from cash from operations and debt or equity financings. As of June 30, 2013, the estimated remaining installments on the nine vessels we had contracted to purchase was approximately \$698.4 million, which we will fund primarily from our existing and future credit facilities, cash from operations and proceeds from our prior preferred share offerings. Future debt or equity issuances may be considered for growth.

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The following table summarizes our credit facilities and lease obligations as of June 30, 2013:

	Amount Outstanding⁽¹⁾ (in millions)	Amount Committed (in millions)	Amount Available (in millions)
<i>Credit Facilities</i>			
Revolving credit facilities ^{(2) (3)}	\$ 2,278.4	\$ 2,440.2	\$ 86.8
Term loan credit facilities ⁽⁴⁾	814.9	1,556.1	401.2
 Total Credit Facilities ⁽⁵⁾	 3,093.3	 3,996.3	 488.0
<i>Lease Facilities</i>			
Leases for five 4500 TEU vessels (limited recourse to Seaspan Corporation)	396.9	396.9	
COSCO Faith 13100 TEU vessel (non-recourse to Seaspan Corporation)	101.9	101.9	
COSCO Pride 13100 TEU vessel (non-recourse to Seaspan Corporation)	132.9	132.9	
 Total Lease Facilities	 631.7	 631.7	
 Total Credit and Lease Facilities	 \$ 3,725.0	 \$ 4,628.0	 \$ 488.0

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

⁽²⁾ For one of our revolving credit facilities, we have removed one of the two vessels under this facility and are now only able to borrow up to the greater of \$75.0 million and 65% of the vessel delivered costs. The amount available does not include the \$75.0 million.

⁽³⁾ Includes a \$11.9 million line of credit which was undrawn as at June 30, 2013.

⁽⁴⁾ For one of our term loan credit facilities, we will not be able to draw on the committed amount of \$340.0 million until the related seven vessels are registered as collateral for the loan. The amount available does not include the \$340.0 million.

⁽⁵⁾ Long-term debt related to operating vessels was \$2.9 billion as at June 30, 2013, with the remaining amount of our long-term debt under our credit facilities as of such dates relating to the construction of newbuilding vessels.

*Credit and Lease Facilities**Our Credit Facilities*

We primarily use our credit facilities to finance the construction and acquisition of vessels. Our credit facilities are, or will be upon scheduled vessel deliveries, secured by first-priority mortgages granted on 68 of our vessels, together with other related security, such as assignments of shipbuilding contracts and refund guarantees for the vessels, assignments of time charters and earnings for the vessels, assignments of insurances for the vessels and assignments of management agreements for the vessels.

As of June 30, 2013, our revolving credit facilities and term loans provided for borrowings of up to approximately \$4.0 billion, of which approximately \$3.1 billion was outstanding and \$488.0 million was available to be drawn by us, subject to certain conditions. Interest payments on the revolving credit facilities are based on LIBOR plus margins, which ranged between 0.5% and 0.85% as of June 30, 2013. We may prepay certain loans under our revolving credit facilities without penalty, other than breakage costs and opportunity costs in certain circumstances. We are required to prepay a portion of the outstanding loans under certain circumstances, such as the sale or loss of a vessel where we do not substitute another appropriate vessel. Amounts prepaid in accordance with these provisions may be reborrowed, subject to certain conditions.

Interest payments on our term loans, excluding five term loans totalling \$24.0 million, are based on either LIBOR plus margins, which ranged between 0.35% and 4.75% as of June 30, 2013 or, for a portion of one of our term loans, the commercial interest reference rate of KEXIM plus a margin, which was 0.65% as of June 30, 2013. We may prepay all term loans without penalty, other than breakage costs in certain circumstances and in one case a prepayment fee under certain circumstances. We are required to prepay a portion of the outstanding loans under certain

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circumstances, such as the sale or loss of a vessel where we do not substitute another appropriate vessel. Amounts prepaid in accordance with these provisions may not be reborrowed.

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Our Lease Facilities

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

As at June 30, 2013, we had lease obligations of approximately \$631.7 million. Under our lease agreements, subject to payment of a termination fee in certain circumstances, we may voluntarily terminate a lease agreement. We are also required to prepay rental amounts, broken funding costs and other costs to the lessor in certain circumstances.

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

For additional information about our credit and lease facilities, including, among other things, a description of certain related covenants, please read Item 5. Operating and Financial Review and Prospects C. Liquidity and Capital Resources in our 2012 Annual Report.

Cash Flows

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

In thousands	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net cash flows from operating activities	\$ 101,561	\$ 92,195	\$ 135,844	\$ 141,954
Net cash flows from/(used) in financing activities	(46,032)	35,648	(98,280)	(139,858)
Net cash flows used in investing activities	(73,483)	(81,910)	(164,378)	(153,808)

Operating Cash Flows

Net cash flows from operating activities were \$101.6 million and \$135.8 million for the three and six months ended June 30, 2013, respectively, an increase of \$9.4 million and decrease of \$6.1 million over the comparable periods in 2012.

The increase in net cash flows from operating activities for the three months ended June 30, 2013 compared to the same period of 2012 was primarily due to an increase in cash related to working capital of \$15.5 million partially offset by a decrease in net earnings (excluding non-cash items) of \$6.1 million. The decrease in net earnings, excluding non-cash items, was primarily due to an increase in revenue of \$0.1 million which was offset by an increase in ship operating expenses of \$5.8 million. The increase in revenue was due primarily to the impact of a full period's contribution of the larger newbuilding vessels delivered in 2012, partially offset by lower charter rates for the five vessels that were on short-term charters during the period as well as an increase in unscheduled off-hire. The increase in ship operating expense was due primarily to an increase in expenses related to the four 13100 TEU vessels acquired during the first half of 2012 as well as an increase in spare parts expense due to the earlier timing of purchases in 2013 and increased expense due to an expanding and aging fleet. The increase in cash related to working capital of \$15.5 million resulted primarily from a reduction in accounts receivable due to collections from GCI for newbuilding installment payments paid by us on behalf of GCI as well as a reduction in our dry-docking asset due to less dry-docking activity during the second quarter of 2013. These increases in working capital were partially offset by payments for ship operating expenses, commitment fees and interest rate swap settlements.

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The decrease in net cash flows from operating activities for the six months ended June 30, 2013 compared to the same period of 2012 was primarily due to a decrease in cash related to working capital of \$7.8 million, partially offset by an increase in net earnings (excluding non-cash items) of \$1.7 million. The increase in net earnings, excluding non-cash items, was primarily due to an increase in revenue of \$11.6 million which was partially offset by an increase in ship operating expenses of \$8.8 million. The increase in revenue was due primarily to the impact of a full period's contribution of the larger newbuilding vessels delivered in 2012 but offset by lower charter rates for the five vessels that were on short-term charters during the period as well as an increase in unscheduled off-hire. The increase in ship operating expense was due primarily to an increase in expenses related to the four 13100 TEU vessels acquired during the first half of 2012 as well as an increase in spare parts expense due to the earlier timing of purchases in 2013 and increased expense due to an expanding and aging fleet. The decrease in cash related to working capital of \$7.8 million resulted primarily from a decrease in our deferred revenue balance due to the timing of receipts of time charter payments, which resulted in less cash on hand at June 30, 2013. This decrease was partially offset by a reduction in our dry-docking asset due to less dry-docking activity in the first half of 2013.

Financing Cash Flows

Net cash flows used in financing activities were \$46.0 million and \$98.3 million for the three and six months ended June 30, 2013, respectively, which represented an increase of cash used of \$81.7 million and a reduction of cash used of \$41.6 million, compared to the same periods of 2012.

During the three months ended June 30, 2013, our increase of cash used in financing activities compared to the same period of 2012 was primarily a result of drawing \$70.0 million less on our credit facilities as we had fewer vessel deliveries than in the prior year. In addition, we made \$10.9 million of additional repayments on our credit facilities and other long-term liabilities during the three months ended June 30, 2013.

During the six months ended June 30, 2013, our cash used in financing activities reduced compared to the comparable period of 2012 primarily due to our repurchase of \$170.9 million of Class A common shares during the six months ended June 30, 2012, compared to no repurchases during the comparable period of 2013. This was partially offset by our drawing \$106.5 million less on our credit facilities during the six months ended June 30, 2013, as we had fewer vessel deliveries than in the prior year. In addition, we made \$7.3 million of additional repayments on our credit facilities and other long-term liabilities during the 2013 period. We paid \$15.0 million more of financing fees in connection with our new loan facilities entered into during the first half of 2013 as compared to the comparable period of 2012.

Investing Cash Flows

Net cash flows used in investing activities were \$73.5 million and \$164.4 million for the three and six months ended June 30, 2013, respectively, which represents a reduction in cash used of \$8.4 million and an increase in cash used of \$10.6 million compared to the same periods of 2012.

During the three months ended June 30, 2013, the reduction in cash used in investing activities compared to the same period of 2012 was primarily due to lower vessel installment payments of \$44.6 million. The higher cash usage in 2012 related to the final installment on one of our 13100 TEU newbuildings that delivered during the second quarter of 2012. The decreases in cash used were partially offset by a prepayment made for the acquisition of the MOL Efficiency which delivered on July 4, 2013 as well as cash used for short-term investments.

During the six months ended June 30, 2013, the increase in cash used in investing activities compared to the same period of 2012 was primarily due to a prepayment made for the acquisition of the MOL Efficiency which delivered on July 4, 2013, as well as cash used for short-term investments. In addition, in the six months ended June 30, 2012, we acquired \$23.9 million of cash on acquisition of our Manager in January 2012; partially offset by a reduction in cash used for vessel installment payments, which related to the final installments on certain of our 13100 TEU newbuildings that delivered during the first half of 2012.

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Ongoing Capital Expenditures and Dividends

Ongoing Capital Expenditures

The average age of the vessels in our operating fleet is approximately six years. Capital expenditures primarily relate to our regularly scheduled dry-dockings. During the three and six months ended June 30, 2013 we completed two dry-dockings. All of the vessels dry-docked during the quarter ended June 30, 2013 underwent their first five-year dry-docking. In the remainder of 2013, we expect three vessels to undergo their five year dry-dockings.

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

The remaining lives of our vessels;

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

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

Our future operating and interest costs, particularly after the acquisition of our Manager in January 2012, now that our operating costs are subject to market fluctuation;

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

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

Capital expenditures to comply with environmental regulations; and

Unanticipated future events and other contingencies.

Please read Item 3D. Risk Factors in our 2012 Annual Report for factors that may affect our future capital expenditures and results.

Table of Contents*Dividends*

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Dividends on Class A common shares				
Declared, per share	\$ 0.3125	\$ 0.2500	\$ 0.5625	\$ 0.4375
Paid in cash	11,266	14,811	20,438	22,178
Reinvested in common shares through dividend reinvestment plan	8,726	916	15,348	5,277
	\$ 19,992	\$ 15,727	\$ 35,786	\$ 27,455
Dividends on preferred shares				
Series A, accrued	\$ 9,423	\$ 8,371	\$ 18,473	\$ 16,499
Series C, paid in cash	\$ 8,312	\$ 8,312	\$ 16,625	\$ 16,625
Series D, paid in cash	\$ 1,545	\$	\$ 2,351	\$

On July 24, 2013, we declared a second quarter dividend of \$0.3125 per Class A common share. The dividend is payable on August 21, 2013 to all shareholders of record on August 12, 2013.

On July 30, 2013, we paid quarterly dividends of \$0.59375 and \$0.496875 per share on our 9.5% Series C preferred shares and 7.95% Series D preferred shares, respectively. The dividends, representing a total distribution of \$9.9 million, were paid to all Series C and Series D preferred shareholders of record as of July 29, 2013 for the period from April 30, 2013 to July 29, 2013.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make estimates in the application of our accounting policies based on our best assumptions, judgments and opinions. Our estimates affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. We base our estimates on historical experience and anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. For more information about our critical accounting estimates, please read Item 5. Operating and Financial Review and Prospects D. Critical Accounting Estimates in our 2012 Annual Report.

Recent Accounting Developments

On May 16, 2013, the Financial Accounting Standards Board and the International Accounting Standards Board issued a revised exposure draft that proposes a new accounting model to address off-balance sheet financing arrangements for lessees. Under the exposure draft, operating lease agreements would be brought onto the balance sheets of lessees. A lessee would recognize a new lease liability and a corresponding right-of-use asset that would be depreciated over the term of the lease. The accounting for a lessor will vary depending on the classification of the lease. The lessor would either derecognize the underlying asset and recognize a lease receivable and residual asset or the underlying asset would continue to be recognized and the lease payments would be recognized as income. A final standard is expected to be issued in 2014 and would likely be effective no earlier than for the year ended December 31, 2017.

Off-Balance Sheet Arrangements

At June 30, 2013, we had no off-balance sheet arrangements.

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FORWARD-LOOKING STATEMENTS

This Report on Form 6-K for the quarter ended June 30, 2013 contains certain forward-looking statements (as such term is defined in Section 21E of the Securities Exchange Act of 1934, as amended) concerning our operations, cash flows, and financial position, including, in particular, the likelihood of our success in developing and expanding our business. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as *expects*, *anticipates*, *intends*, *plans*, *believes*, *estimates*, *projects*, *forecasts*, *may*, *potential*, *should*, and similar expressions are forward-looking statements. Although these statements are based upon assumptions we believe to be reasonable based upon available information, including projections of revenue, operating margins, earnings, cash flow, working capital and capital expenditures, they are subject to risks and uncertainties. These forward-looking statements represent our estimates and assumptions only at the date of this Report and are not intended to give any assurance as to future results. As a result, you are cautioned not to rely on any forward-looking statements. Forward-looking statements appear in a number of places in this Report. These statements include, but are not limited to:

Future operating or financial results;

Future growth prospects;

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

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

Potential acquisitions, vessel financing arrangements and other investments, and our expected benefits from such transactions, including any acquisition opportunities, vessel financing arrangements and related benefits relating to our venture with GCI;

The effects of the acquisition of our Manager on our operations and results;

The effects of grants of stock appreciation rights to our chief executive officer and certain members of management on our general and administrative expenses;

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

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

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

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

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Estimated future capital expenditures needed to preserve our capital base;

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

Our continued ability to enter into primarily long-term, fixed-rate time charters with our customers, including charters for the newbuilding vessels that we ordered in July 2013;

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

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

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

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

Taxation of our company and of distributions to our shareholders;

Potential liability from future litigation; and

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

Forward-looking statements in this Report are estimates reflecting the judgment of senior management and involve known and unknown risks and uncertainties. These forward-looking statements are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Accordingly, these forward-looking statements should be considered in light of various important factors, including those set forth in Item 3D. Risk Factors in our 2012 Annual Report.

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

Table of Contents**ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

Interest Rate Risk

As of June 30, 2013, our floating-rate borrowings totaled \$3.2 billion and we had entered into interest rate swap and swaption agreements to fix the rates on a notional principal of \$2.5 billion. As of June 30, 2013, these interest rate swaps and swaptions had a fair value of \$52.1 million in our favor and \$485.5 million in the counterparties' favor.

The tables below provide information about our financial instruments at June 30, 2013 that are sensitive to changes in interest rates. Please read notes 10 and 11 to our consolidated financial statements included in our 2012 Annual Report, which provide additional information with respect to our credit and lease facilities. The information in this table is based upon our credit and lease facilities.

(in thousands)	2013	2014	Principal Payment Dates			
			2015	2016	2017	Thereafter
Credit Facilities:						
Bearing interest at variable interest rates ⁽¹⁾	27,044	262,934	945,263	109,621	150,681	1,438,051
Lease Facilities:						
Bearing interest at variable interest rates	4,998	13,684	14,534	15,419	16,408	169,748

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

As of June 30, 2013, we had the following interest rate swaps outstanding (in thousands):

Fixed per annum rate swapped for LIBOR	Notional Amount as of June 30, 2013	Maximum Notional Amount ⁽¹⁾	Effective Date	Ending Date
5.6400%	\$ 714,500	\$ 714,500	August 31, 2007	August 31, 2017
5.1750%	607,149	663,399	July 16, 2012	July 15, 2016
5.4200%	438,462	438,462	September 6, 2007	May 31, 2024
5.6000%	194,000	200,000	June 23, 2010	December 23, 2021
5.0275%	111,000	158,000	May 31, 2007	September 30, 2015
5.5950%	106,800	106,800	August 28, 2009	August 28, 2020
5.2600%	106,800	106,800	July 3, 2006	February 26, 2021 ⁽²⁾
5.2000%	90,240	96,000	December 18, 2006	October 2, 2015
5.4975%	59,700	59,700	July 31, 2012	July 31, 2019
5.1700%	24,000	55,500	April 30, 2007	May 29, 2020
5.8700%		620,390	August 31, 2017	November 28, 2025

- (1) Over the term of the interest rate swaps, the notional amounts increase and decrease. These amounts represent the peak notional amount during the term of the swap.
- (2) We have entered into a swaption agreement with a bank, or Swaption Counterparty A, whereby Swaption Counterparty A has the option to require us to enter into an interest rate swap to pay LIBOR and receive a fixed rate of 5.26%. This is a European option and is open for a two hour period on February 26, 2014, after which it expires. The notional amount of the underlying swap is \$106.8 million with an

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effective date of February 28, 2014 and an expiration date of February 26, 2021. If Swaption Counterparty A exercises the swaption, the underlying swap effectively will offset our 5.26% pay fixed LIBOR swap from February 28, 2014 to February 26, 2021.

In addition to the swaps listed in the above table, we have entered into swaption agreements with a bank, or Swaption Counterparty B, whereby Swaption Counterparty B has the option to require us to enter into interest rate swaps, by February 28, 2017, to pay LIBOR and receive a fixed rate of 1.183% and to pay 0.5% and receive LIBOR, respectively. The notional amounts of the underlying swaps are each \$200.0 million with an effective date of March 2, 2017 and an expiration date of March 2, 2027.

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Counterparties to these financial instruments may expose us to credit-related losses in the event of non-performance. As at June 30, 2013, these financial instruments are in the counterparties' favor. We have considered and reflected the risk of non-performance by us and our counterparties in the fair value of our financial instruments as of June 30, 2013. As part of our consideration of non-performance risk, we perform evaluations of our counterparties for credit risk through ongoing monitoring of their financial health and risk profiles to identify funding risk or changes in their credit ratings.

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

Table of Contents**PART II OTHER INFORMATION****Item 1 Legal Proceedings**

None.

Item 1A Risk Factors

You should consider the factors discussed in Item 3.D Risk Factors in our 2012 Annual Report, which could materially affect our business, results of operations or financial condition.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

In April 2013, we issued to the former owners of our Manager, each of whom is an accredited investor, a total of 351,729 shares of our Class A common stock as additional purchase price for the acquisition of our Manager. The shares were issued pursuant to the terms of the Share Purchase Agreement dated January 27, 2012 between us and the former owners of our Manager and qualified for an exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended.

In April and May 2013, we issued to Tiger Ventures Limited, an accredited investor, a total of 35,733 shares of our Class A common stock as consulting compensation pursuant to the Financial Services Agreement dated as of March 14, 2011 between us and Tiger Ventures Limited. The issuances qualified for an exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended.

Item 3 Defaults Upon Senior Securities

None.

Item 4 Mine Safety Disclosures

Not Applicable.

Item 5 Other Information

Our 2013 Annual Meeting of Shareholders was held on April 26, 2013. Briefly described below is each matter voted on at the meeting:

- (1) Election of the following individuals, nominated by the board of directors, to hold office as Class II Directors of our board of directors for a term of three years. There was no solicitation in opposition to the board's nominees for the directors listed in our definitive proxy statement dated March 19, 2013, and all such nominees were elected. Total common and Series A preferred stock voted (with Series A preferred stock voting on an as-converted basis) was 61,436,778. There were 103,277 broker non-votes.

Name	Number of Shares Voted	
	For	Withheld
Gerry Wang	59,978,866	1,364,018
Graham Porter	59,498,962	1,843,922
Harald H. Ludwig	59,982,221	1,360,663

The other members of the board of directors are: Class III Directors: Peter Shaerf and John C. Hsu (terms expire at the 2014 Annual Shareholder Meeting); Class I Directors: Kyle R. Washington, Nicholas Pitts-Tucker and David Lyall (terms expiring at the 2015 Annual Shareholder Meeting); and Series A Preferred Shareholder Nominee Director: George H. Juetten (no term).

(2)

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Ratification of the appointment of KPMG LLP, Chartered Accountants as our independent auditors for the fiscal year ending December 31, 2013. Total common and Series A preferred stock voted (with Series A preferred stock voting on an as converted basis) was 61,256,176 in favor, 77,325 opposed, 103,277 abstained and nil broker non-votes. The appointment of KPMG LLP as the independent auditors for the fiscal year ending December 31, 2013 was ratified.

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Item 6 Exhibits

None.