Seaspan CORP
Form 6-K
November 02, 2018

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 September 30, 2018

Commission File Number 1-32591

SEASPAN CORPORATION

(Exact name of Registrant as specified in its Charter)

Unit 2, 2nd Floor

Bupa Centre

141 Connaught Road West

Hong Kong

China

(Address of principal executive office)

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

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

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

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

Attached as Exhibit I is Seaspan Corporation's report on Form 6-K, or this Report, for the quarter ended September 30, 2018. This Report is hereby incorporated by reference into: the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission, or the SEC, on May 30, 2008 on Form F-3D (Registration No. 333-151329), the Registration Statement of Seaspan Corporation filed with the SEC on March 31, 2011 on Form S-8 (Registration No. 333-173207), the Registration Statement of Seaspan Corporation filed with the SEC on June 20, 2013 on Form S-8 (Registration No. 333-189493), the Registration Statement of Seaspan Corporation filed with the SEC on April 24, 2012 on Form F-3 (Registration No. 333-180895), as amended on March 22, 2013, the Registration Statement of Seaspan Corporation filed with the SEC on April 29, 2014 on Form F-3 (Registration No. 333-195571), as amended on March 3, 2017 and April 19, 2017, the Registration Statement of Seaspan Corporation filed with the SEC on November 28, 2014 on Form F-3 (Registration No. 333-200639), as amended on March 3, 2017 and April 19, 2017, the Registration Statement of Seaspan Corporation filed with the SEC on November 28, 2014 on Form S-8 (Registration No. 333-200640), the Registration Statement of Seaspan Corporation filed with the SEC on March 12, 2015 on Form F-3D (Registration No. 333-202698), the Registration Statement of Seaspan Corporation filed with the SEC on May 23, 2016 on Form F-3 (Registration No. 333-211545), as amended on March 3, 2017, March 7, 2017 and April 19, 2017, the Registration Statement of Seaspan Corporation filed with the SEC on June 24, 2016 on Form S-8 (Registration No. 333-212230) and the Registration Statement of Seaspan Corporation filed with the SEC on April 13, 2018 on Form F-3D (Registration No. 333-224291), the Registration Statement of Seaspan Corporation filed with the SEC on May 3, 2018 on Form F-3/A (Registration No. 333-224288), as amended on May 7, 2018, the Registration Statement of Seaspan Corporation filed with the SEC on June 15, 2018 on Form F-4 (Registration No. 333-225681), the Registration Statement of Seaspan Corporation filed with the SEC on September 28, 2018 on Form F-3 (Registration No. 333-227597).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEASPAN CORPORATION

Date: November 2, 2018 By: /s/ Ryan Courson
Ryan Courson
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT I

SEASPAN CORPORATION
REPORT ON FORM 6-K FOR THE QUARTER ENDED SEPTEMBER 30, 2018

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

References to customers are as follows:

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

(1) A subsidiary of CMA CGM.
(2) A subsidiary of China Shipping Container Lines Co., Ltd., or CSCL.
(3) While we continue to charter our vessels to CSCL Asia and COSCON, CSCL Asia and COSCON merged their container shipping businesses in March 2016.
(4) A subsidiary of China COSCO Holdings Company Limited.
(5) A subsidiary of COSCON.
(6) On April 1, 2018, MOL, K-Line and Nippon Yusen Kabushiki Kaisha integrated their container shipping businesses under a new joint venture company, Ocean Network Express Pte. Ltd.
(7) A subsidiary of A.P. Moller-Maersk A/S.

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

The information and the unaudited consolidated financial statements in this Report should be read in conjunction with the consolidated financial statements and related notes and the Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 20-F for the year ended December 31, 2017, filed with the U.S. Securities and Exchange Commission, or the SEC, on March 6, 2018, or our 2017 Annual Report. Unless otherwise indicated, all amounts in this Report are presented in U.S. dollars, or USD. We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles, or U.S. GAAP.

SEASPAN CORPORATION

PART I — FINANCIAL INFORMATION

ITEM 1 — INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SEASPAN CORPORATION

Interim Consolidated Balance Sheets

(Unaudited)

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

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 391,030	$ 253,176
Short-term investments	2,505	104
Accounts receivable (note 3)	7,714	11,678
Loans to affiliate (note 3)	—	36,100
Prepaid expenses and other	42,208	44,869
Fair value of financial instruments (note 17)	187	—
Gross investment in lease (note 4)	44,348	35,478
	487,992	381,405
Vessels (note 5)	5,982,857	4,537,216
Deferred charges (note 6)	56,120	62,020
Gross investment in lease (note 4)	828,809	687,896
Goodwill	75,321	75,321
Other assets	161,155	134,284
	$ 7,592,254	$ 5,878,142
Liabilities, puttable preferred shares and shareholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 70,568	$ 63,220
Current portion of deferred revenue (note 7)	52,094	55,367
Current portion of long-term debt (note 8)	745,540	257,800
Current portion of long-term obligations under capital lease (note 9)	47,996	43,912
Current portion of other long-term liabilities (note 10)	37,292	23,635
	953,490	443,934
Deferred revenue (note 7)	385,315	328,681
Long-term debt (note 8)	2,864,158	2,192,833
Long-term obligations under capital lease (note 9)	603,734	595,016
Other long-term liabilities (note 10)	182,391	199,386
Fair value of financial instruments (note 17)	121,858	168,860
Total liabilities	5,110,946	3,928,710
Puttable preferred shares; $0.01 par value; 1,986,449 issued and outstanding	47,695	—

(2017 - nil) (notes 2 and 11)		
Shareholders' equity:		
Share capital (note 11):		
Preferred shares; $0.01 par value; 150,000,000 shares authorized (2017 - 150,000,000); 33,272,706 shares issued and outstanding (2017 – 32,872,706)		
Class A common shares; $0.01 par value; 400,000,000 shares authorized (2017 - 200,000,000); 176,652,789 shares issued and outstanding (2017 – 131,664,101)	2,100	1,646
Treasury shares	(371)	(377)
Additional paid in capital	3,124,759	2,752,988
Deficit	(670,034)	(781,137)
Accumulated other comprehensive loss	(22,841)	(23,688)
	2,433,613	1,949,432
	$ 7,592,254	$ 5,878,142

Basis of presentation and going concern (note 1(a))

Commitments and contingencies (note 15)

Subsequent events (note 19)

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Interim Consolidated Statements of Operations

(Unaudited)

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

	Three months ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue	$294,981	$211,013	$801,419	$616,943
Operating expenses:				
Ship operating	55,360	45,378	163,676	135,808
Cost of services, supervision fees	—	650	—	650
Depreciation and amortization	65,053	49,835	181,085	149,579
General and administrative	8,148	14,034	24,494	29,009
Operating leases (note 10)	33,048	30,332	96,571	84,990
Expenses related to customer bankruptcy	—	—	—	1,013
Gain on disposals	—	(6,606)	—	(6,606)
	161,609	133,623	465,826	394,443
Operating earnings	133,372	77,390	335,593	222,500
Other expenses (income):				
Interest expense and amortization of deferred financing fees	58,231	28,332	154,478	85,061
Interest income	(1,128)	(1,080)	(2,893)	(3,445)
Undrawn credit facility fees	64	584	359	1,849
Acquisition related gain on contract settlement	—	—	(2,430)	—
Change in fair value of financial instruments (note 17)	(4,526)	2,444	(29,775)	19,471
Equity income on investment	—	(1,510)	(1,216)	(4,039)
Other expenses	758	243	1,369	6,919
	53,399	29,013	119,892	105,816
Net earnings	$79,973	$48,377	$215,701	$116,684
Earnings per share (note 12):				
Class A common share, basic	$0.37	$0.27	$1.10	$0.60
Class A common share, diluted	$0.36	$0.26	$1.07	$0.60

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Interim Consolidated Statements of Comprehensive Income

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net earnings	$ 79,973	$ 48,377	$ 215,701	$ 116,684
Other comprehensive income:				
Amounts reclassified to net earnings during the period relating to cash flow hedging instruments (note 17 (c))	271	342	847	2,479
Comprehensive income	$ 80,244	$ 48,719	$ 216,548	$ 119,163

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Interim Consolidated Statements of Puttable Preferred Shares and Shareholders' Equity

(Unaudited)

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

Nine months ended September 30, 2018 and year ended December 31, 2017

	Series D puttable preferred shares Shares	Series D puttable preferred shares Amount	Number of common shares	Number of non-puttable preferred shares	Common shares	Preferred shares	Treasury shares	Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total shareholders' equity
Balance, December 31, 2016	—	$—	105,722,646	32,751,629	$1,057	$328	$(367)	$2,580,274	$(807,496)	$(26,547)	$1,747,249
Net earnings	—	—	—	—	—	—	—	—	175,237	—	175,237
Other comprehensive income	—	—	—	—	—	—	—	—	—	2,859	2,859
Preferred shares issued	—	—	—	121,077	—	1	—	2,956	—	—	2,957
Class A common shares issued	—	—	19,550,000	—	196	—	—	121,152	—	—	121,348
Fees and expenses in connection with issuance of common and preferred shares	—	—	—	—	—	—	—	(2,649)	—	—	(2,649)
Dividends on Class A common shares	—	—	—	—	—	—	—	—	(83,615)	—	(83,615)
Dividends on preferred shares	—	—	—	—	—	—	—	—	(64,416)	—	(64,416)

Shares issued through dividend reinvestment program	—	—	3,300,537	—	33	—	—	21,752	—	—	21,785
Share-based compensation expense (note 13):											
Restricted Class A common shares, phantom share units, stock appreciation rights, restricted stock units and performance stock units	—	—	1,246,604	—	13	—	—	17,307	—	—	17,320
Other share-based compensation	—	—	1,846,892	—	18	—	—	12,196	(847)	—	11,367
Treasury shares	—	—	(2,578)	—	—	—	(10)	—	—	—	(10)
Balance, December 31, 2017, carried forward	—	$—	131,664,101	32,872,706	$1,317	$329	$(377)	$2,752,988	$(781,137)	$(23,688)	$1,949,432

See accompanying notes to consolidated financial statements.

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SEASPAN CORPORATION

Interim Consolidated Statements of Puttable Preferred Shares and Shareholders' Equity (Continued)

(Unaudited)

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

Nine months ended September 30, 2018 and year ended December 31, 2017

	Series D puttable preferred shares Shares	Amount	Number of common shares	Number of non-puttable preferred shares	Common shares	Preferred shares	Treasury shares	Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total sharehol equity
ance, ember 31, 7, rried ward	—	$—	131,664,101	32,872,706	$1,317	$329	$(377)	$2,752,988	$(781,137)	$(23,688)	$1,949,4
earnings	—	—	—	—	—	—	—	—	215,701	—	215,70
er prehensive me	—	—	—	—	—	—	—	—	—	847	847
ss A mon shares ed	—	—	2,514,996	—	25	—	—	13,883	—	—	13,908
es D erred es issued ote 2)	1,986,449	46,676	—	—	—	—	—	—	—	—	—
es I erred es issued e)	—	—	—	6,000,000	—	60	—	149,940	—	—	150,00
rants ed (note 11)	—	—	—	—	—	—	—	67,523	—	—	67,523
rcise of rants (note	—	—	38,461,539	—	385	—	—	326,909	—	—	327,29
s and enses in	—	—	—	—	—	—	—	(73,035)	—	—	(73,03

nnection issuance mmon es and erred ares											
dends on ss A mon ares	—	—	—	—	—	—	—	—	(50,658)	—	(50,658
dends on erred es	—	—	—	—	—	—	—	—	(52,627)	—	(52,627
retion of erred es th holder option	—	1,019	—	—	—	—	—	—	(1,019)	—	(1,019
emption of es F erred ares (note	—	—	—	(5,600,000)	—	(56)	—	(139,944)	—	—	(140,00
res issued ugh dend einvestment gram	—	—	2,917,446	—	29	—	—	22,271	—	—	22,300
re-based pensation ense ote 13): estricted ss A mon shares, ntom share units, stock reciation	—	—	192,334	—	2	—	—	1,759	—	—	1,761

rights, ricted stock s and ormance k units											
er e-based mpensation	—	—	908,877	—	9	—	—	2,465	(294)	—	2,180
asury shares	—	—	(6,504)	—	—	—	6	—	—	—	6
ance, tember 30, 8	1,986,449	$47,695	176,652,789	33,272,706	$1,767	$333	$(371)	$3,124,759	$(670,034)	$(22,841)	$2,433,6

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Interim Consolidated Statements of Cash Flows

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Cash from (used in):				
Operating activities:				
Net earnings	$79,973	$48,377	$215,701	$116,684
Items not involving cash:				
Depreciation and amortization	65,053	49,835	181,085	149,579
Share-based compensation (note 13)	355	8,507	1,905	12,377
Amortization of deferred financing fees, debt discount and fair value of long term debt	5,726	2,605	14,283	8,818
Amounts reclassified from other comprehensive loss to interest expense	80	144	254	1,824
Unrealized change in fair value of financial instruments	(13,925)	(11,483)	(62,834)	(24,668)
Acquisition related gain on contract settlement	—	—	(2,430)	—
Equity income on investment	—	(1,510)	(1,216)	(4,039)
Operating leases	(5,883)	(5,911)	(17,692)	(16,678)
Amortization of acquired revenue contracts	1,902	1,133	5,461	3,182
Gain on disposals	—	(6,606)	—	(6,606)
Other	1	107	12	6,574
Changes in assets and liabilities:				
Accounts receivable	6,659	130	8,526	9,334
Lease receivable	11,178	996	33,096	996
Prepaid expenses and other	227	(2,481)	8,274	(8,821)
Deferred dry-dock	(26)	(3,627)	(8,265)	(7,212)
Accounts payable and accrued liabilities	4,649	4,077	(9,438)	(2,203)
Deferred revenue	(12,300)	11,248	(42,292)	(1,808)
Other long term liabilities	(1,470)	—	(1,470)	—
Fair value of financial instruments	—	(490)	1,991	(3,065)
Cash from operating activities	142,199	95,051	324,951	234,268
Financing activities:				
Common shares issued, net of issuance costs	—	22,102	—	79,368
Preferred shares issued, net of issuance costs	144,416	—	144,416	—

Repayment of credit facilities	(225,916)	(98,295)	(360,660)	(269,452)
Draws on credit facilities	—	—	325,600	—
Fairfax notes and warrants issued	—	—	250,000	—
Draw on long-term obligations under capital lease	—	136,331	46,964	136,331
Repayment of long-term obligations under capital lease	(12,365)	(6,619)	(35,672)	(19,492)
Senior unsecured notes repurchased, including related expenses	—	—	—	(3,122)
Proceeds from exercise of Fairfax warrants	250,000	—	250,000	—
Redemption of Series F preferred shares	(143,430)	—	(143,430)	—
Financing fees	(2,753)	(858)	(15,868)	(3,172)
Dividends on common shares	(9,549)	(7,701)	(28,358)	(53,411)
Dividends on preferred shares	(14,720)	(16,104)	(49,680)	(48,313)
Net proceeds from sale-leaseback of vessel	—	—	—	90,753
Cash from (used in) financing activities	(14,317)	28,856	383,312	(90,510)
Investing activities:				
Expenditures for vessels	(5,613)	(139,364)	(306,626)	(235,725)
Short-term investments	(105)	(1)	(2,401)	307
Net proceeds from vessel disposal	—	18,338	—	18,338
Other assets	(201)	60	2,510	104
Loans to affiliate (note 3)	—	(546)	(427)	(2,131)
Repayments of loans to affiliate (note 3)	—	546	—	21,779
Acquisition of GCI (note 2)	—	—	(333,581)	—
Cash acquired from GCI acquisition (note 2)	—	—	70,121	—
Cash used in investing activities	(5,919)	(120,967)	(570,404)	(197,328)
Increase (decrease) in cash and cash equivalents	121,963	2,940	137,859	(53,570)
Cash and cash equivalents and restricted cash, beginning of period	283,132	325,450	267,236	381,960
Cash and cash equivalents and restricted cash, end of period	$405,095	$328,390	$405,095	$328,390

Supplemental cash flow information (note 14)

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

(Unaudited)

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

1. Significant accounting policies:

(a) Basis of presentation and going concern:

In connection with the preparation of the financial statements for each annual and interim reporting period, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. This evaluation initially does not take into consideration the potential mitigating effect of management's plans that have not been fully implemented as of the date that the financial statements are issued. When substantial doubt exists, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company's ability to continue as a going concern. The mitigating effect of management's plans, however, is only considered if it is both (1) probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. Generally, to be considered probable of being effectively implemented, the plans must have been approved before the date that the financial statements are issued.

At this time, management's evaluation has concluded that it is probable that the plans referred to below will mitigate the foreseeable conditions or events that raise substantial doubt and that these plans will be effectively implemented within one year after the date that the financial statements are issued. These financial statements have therefore been prepared on the basis that the Company will continue as a going concern and will be able to realize its assets and settle its liabilities in the normal course of operations.

At September 30, 2018, the Company had a working capital deficiency of $465,498,000 which includes $337,925,000 of senior unsecured notes maturing in April 2019. The working capital deficiency may increase in future periods as described below. In order to address this deficiency, the Company will rely, in part, upon the continued financial support of Fairfax Financial Holdings Ltd. and its affiliates ("Fairfax"), as described below. The Company also expects to further address this deficiency through cash generated from operations, existing sources of funds and additional sources of funds in the capital markets to the extent available.

On March 13, 2018, the Company and Fairfax entered into an agreement (the "March 2018 Agreement") for a $250,000,000 investment in debentures and warrants to purchase a total of 38,461,539 Class A common shares of the Company, for an aggregate total purchase price of $250,000,000 (note 8(e)). The March 2018 Agreement is expected to close in January 2019. On May 31, 2018, Fairfax agreed that the 38,461,539 warrants related to the March 2018 Agreement will be immediately exercised upon issuance in January 2019, for gross proceeds of $250,000,000 (the "May 2018 Agreement"). The May 2018 Agreement closed on July 16, 2018. Pursuant to the March 2018 Agreement and the May 2018 Agreement, Fairfax has a binding obligation to fund the debentures and exercise the 38,461,539 warrants in January 2019 for a total of $500,000,000, subject to certain closing conditions including no material adverse changes as it relates to the Company. Due to the material adverse change clause in the March 2018 Agreement, the proceeds from the January 2019 transactions have not been included in our assessment of going concern.

The Company expects that the March 2018 Agreement will close in January 2019, and the debentures and warrants will be funded and exercised, respectively. Management would only expect to execute alternative plans if these limited closing conditions are not satisfied. The Company has 18 unencumbered vessels (six of which are in the process of being released from security). Management's alternative plans would include entering into secured financing for such unencumbered vessels, selling vessels and/or drawing on the revolving credit facility to fund its operations and pay its liabilities as they become due.

SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

(Unaudited)

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

1. Significant accounting policies (continued):

(a) Basis of presentation and going concern (continued):

Management is confident that the cash on hand, cash flows expected to be generated from operations over the next 12 months and management's plans described above will provide the cash flows necessary to fund operations over the next year to November 2, 2019. The ability of the Company to continue as a going concern beyond one year will be dependent on the Company's ability to execute the plans described above, continue to generate cash flows from operations and raise additional financings to fund future operations. If, as a result of future events, the Company was to determine it was no longer able to continue as a going concern, significant adjustments would be required to the carrying values of assets and liabilities in the accompanying financial statements and these adjustments could be material.

Fairfax Put Right

On July 16, 2018, upon closing of the May 2018 Agreement, the Company provided Fairfax with the right to put each of the February 14, 2018 and March 13, 2018 debentures on their applicable anniversary dates, subject to submitting an annual put right notice commencing 150 days and ending 120 days prior to each applicable anniversary date. In September 2018, Fairfax waived this right for the outstanding debentures issued on February 14, 2018 for its first anniversary date in February 2019. As the right to put the debentures is solely within the control of Fairfax, the February 14, 2018 debentures will be reclassified from long-term liabilities to current liabilities when it becomes puttable within one year from period end. Upon funding of the March 13, 2018 debentures and exercise of the March 13, 2018 warrants in January 2019, the debentures will be classified as a current liability.

Fairfax will directly own approximately 35% of the class A common shares outstanding once it exercises its 38,461,539 warrants in January 2019 and is considered a related party.

(b) Recently adopted accounting pronouncements:

Revenue recognition

Effective January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers", that introduced a new five-step revenue recognition model to determine how an entity should recognize revenue related to the transfer of goods or services to customers in an amount that reflects the consideration the entity is entitled to receive for those goods or services.

The Company's revenue is comprised primarily of time charter revenue and interest income from leasing. The time charter revenue includes a lease element, which is evaluated under Accounting Standards Codification ("ASC") 840 "Leases", and a service element, which is evaluated under ASU 2014-09. Under previous accounting standards, service revenue was recognized when the amounts were fixed or determinable, services had been rendered and collectability was reasonably assured. Under ASU 2014-09, recognition of such service revenue occurs when the services are provided and the performance obligations are satisfied. The Company evaluated the service revenue under ASU 2014-09 and determined that the amounts recognized and the pattern of recognition are substantially the same as the previous revenue standard. The Company adopted ASU 2014-09 using the modified retrospective method and applied the new standard only to contracts not completed as of January 1, 2018. There is no impact on the Company's consolidated financial statements.

SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

(Unaudited)

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

1. Significant accounting policies (continued):

(b) Recently adopted accounting pronouncements (continued):

Definition of a Business

Effective January 1, 2018, the Company adopted ASU 2017-01, "Clarifying the Definition of a Business", which provides a new framework for determining whether transactions should be accounted for as acquisitions of assets or businesses. The Company analyzed its March 13, 2018 acquisition of Greater China Intermodal Investments LLC ("GCI") under this standard (see note 2).

Statement of Cash Flows – Restricted Cash

Effective January 1, 2018, the Company adopted ASU 2016-18, "Statement of Cash Flows – Restricted Cash", which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and restricted cash. In addition, the amounts of restricted cash and nature of the restrictions are required to be disclosed. The Company's consolidated statements of cash flows and supplemental cash flow note reflect the changes as required.

Equity-linked financial instruments with down round features

Effective January 1, 2018, the Company elected to early adopt ASU 2017-11, which changes the classification analysis of certain equity-linked financial instruments with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. There is no impact on the Company's consolidated financial statements.

(c) Recent accounting pronouncements:

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, "Leases", which requires lessees to recognize all leases, including operating leases, with a term greater than 12 months on the balance sheet, for the rights and obligations created by those leases. The accounting for lessors will remain largely unchanged from the existing accounting standards. The standard is effective for fiscal years beginning after December 31, 2018, including interim periods within those fiscal years.

Under ASU 2016-02, each lease agreement will be evaluated to identify the lease components and non-lease components at lease inception. The total consideration in the lease agreement will be allocated to the lease and non-lease components based on their relative standalone selling prices. Lessors will continue to recognize the lease revenue component using an approach that is substantially equivalent to existing guidance for operating leases (straight-line basis). Sale-type and direct financing leases will be accounted for as financing transactions with the lease payments being allocated to principal and interest utilizing the effective interest rate method.

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1. Significant accounting policies (continued):

(c) Recent accounting pronouncements (continued):

In July 2018, the FASB issued ASU 2018-11, "Leases – Targeted Improvements" that allows lessors to elect, as a practical expedient, to not separate lease and non-lease components and allows these components to be accounted for as a single lease component if both (i) the timing and pattern of transfer to the lessee of the lease component and the related non-lease component are the same and (ii) the lease component, if accounted for separately, would be classified as an operating lease. In addition, a company is permitted to use its effective date as the date of initial application. Therefore, a company electing this option will not restate comparative period financial information, will not make the new required lease disclosures in comparative periods beginning before the effective date and will recognize its cumulative effect transition adjustment as of the effective date. Under the practical expedient mentioned above, it is expected that time charter revenue and service revenue will be presented under a single lease component presentation. The amendments have the same effective date as ASU 2016-02.

The Company intends to adopt ASU 2016-02 on January 1, 2019 whereby a cumulative effect adjustment will be made as of that day with no retrospective effect. The Company also intends to elect to apply the package of practical expedients such that for any expired or existing leases it will not reassess lease classification, initial direct costs or whether any expired or existing contracts are or contain leases.

The adoption of ASU 2016-02 will result in a change in the accounting method for certain of the Company's sale-leaseback transactions and office leases. Under ASU 2016-02, the Company will recognize a right-of-use asset and a lease liability on the balance sheet for these sale-leaseback transactions and office leases based on the present value of the future minimum lease payments, whereas currently no right-of-use asset or lease liability is recognized. The existing deferred gain related to the sale-leaseback transactions will be eliminated through a credit directly to retained earnings. The impact on the Company's consolidated balance sheet will be an increase to its assets and liabilities. Operating lease expense related to these sale-leaseback transactions and office leases will be recognized on a straight-line basis over the term of the lease, adjusted for changes in interest rate-based variable lease payments in the period of change. This will result in a timing difference in expense recognition on the consolidated statement of operations.

The adoption of ASU 2016-02 will require the Company to complete its lease classification assessment at lease commencement rather than when a lease is entered into. Historically, for charters that were negotiated concurrently with the construction of the related vessels, the fair value of the constructed asset was presumed to be its newbuilding cost. If such charters were classified as direct financing leases at the time the lease was entered into, no gain or loss was recognized subsequently on commencement of the charter. On adoption of ASU 2016-02, the fair value of the vessel will be determined based on information available at the lease commencement date, rather than lease inception date, and any difference in the fair value of the vessel upon commencement of the charter and its carrying value will be recognized as a gain or loss upon commencement of the charter.

(d) Comparative information:

Certain prior periods' information have been reclassified to conform with current financial statement preparation

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2. Acquisition of Greater China Intermodal Investments LLC:

On March 13, 2018, the Company acquired the remaining 89.2% that it did not own of GCI from affiliates of The Carlyle Group and the minority owners of GCI. GCI's fleet of 18 containerships, including two newbuilds, was comprised of 10000 TEU and 14000 TEU eco-class vessels.

The aggregate purchase price was $498,050,000, comprised of:

Cash	$331,904
1,986,449 of the Company's Series D preferred shares	47,158
2,514,996 of the Company's Class A common shares	13,908
Settlement of intercompany balances	41,279
Carrying value of previously held equity interest	61,891
Transaction fees	1,910
Aggregate purchase price	$498,050

Under the Agreement and Plan of Merger (the "Merger Agreement"), $10,000,000 was deposited in escrow for settlement of potential indemnifiable damages. If there are no claims for indemnification, the escrowed amount will be released within two business days after March 13, 2019.

The value of the Company's Series D preferred shares and Class A common shares was determined based on the closing market price of those shares on March 13, 2018, which was the date the acquisition closed. As the initial holders of the 1,986,449 Series D preferred shares have a right commencing on September 13, 2019 and ending on October 13, 2019 to cause the Company to repurchase any of these shares they hold at that time for a price of $24.84 per share, these Series D preferred shares are recorded as temporary equity.

The Company incurred $1,910,000 of acquisition-related costs that have been capitalized as a cost of the net assets acquired.

The Company accounted for the transaction as an asset acquisition as substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable group of similar identifiable assets.

Accordingly, the consideration has been allocated on a relative fair value basis to the assets acquired and liabilities assumed.

The following table summarizes the fair value of the identifiable assets acquired and liabilities assumed;

Cash and cash equivalents	$70,121
Current assets	5,316
Vessels	1,369,628
Vessels under construction	28,924
Other assets	107,407
Total assets acquired	1,581,396
Debt assumed	1,038,081
Current liabilities	31,115
Other long-term liabilities	14,150
Net assets acquired	$498,050

The Company purchased identifiable intangible assets (time charters) with an estimated useful life of 5.3 years and is recorded in Other Assets.

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3. Related party transactions:

(a) Prior to March 13, 2018, the Company had a 10.8% equity interest in GCI. The Company purchased the remaining 89.2% interest in GCI on March 13, 2018 (see note 2) and consolidated GCI from the date of acquisition.

The Company had $619,000 (December 31, 2017 – $318,500) due from other related parties included in accounts receivable

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Fees incurred:				
Interest expense	$ 5,355	$ —	$ 13,447	$ —
Arrangement fees	—	—	—	1,872
Transaction fees	—	551	—	1,605
Income earned:				
Interest income	—	546	427	2,131
Management fees	—	1,154	914	3,293
Supervision fees	—	650	—	650

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

In February 2018, the Company issued to Fairfax, in a private placement, $250,000,000 aggregate principal of 5.50% senior notes due 2025 (note 8(e)) ("Fairfax Notes") and warrants ("Fairfax Warrants") (note 11) to purchase 38,461,539 of the Company's Class A common shares for an aggregate issue price of $250,000,000. The Fairfax Notes are guaranteed by certain of the Company's subsidiaries. The proceeds of the Fairfax Notes and Fairfax Warrants were allocated to each security on a relative fair value basis. The indenture relating to the Fairfax Notes provides that, subject to certain limitations, the Fairfax investors will have the right to designate a maximum of two members to our board of directors. Fairfax became a related party as a result of this private placement. Interest expense relates to interest expense on the Fairfax Notes.

On July 16, 2018, Fairfax was issued additional seven year warrants to purchase 25,000,000 Class A common shares (the “New Warrants”) at an exercise price of $8.05 per share. Concurrently, the Fairfax Warrants were exercised to purchase 38,461,539 Class A common shares.

In 2017, transaction fees were paid to the Company’s former chief executive officer (“former CEO”) in connection with services he provided related to new build contracts and purchase or sale contracts, and these fees were capitalized to vessels. Transaction fees were paid in the Company’s common shares, certain of which were paid in 2018 and contractually entered into while he was employed by the Company (note 13(b)). The former CEO’s employment ended on December 31, 2017 and as of that date he was no longer a related party.

Interest income was earned on loans to affiliate, prior to March 13, 2018. Management fees were earned from GCI for the management of GCI’s vessels, prior to March 13, 2018, and are included in revenue. Supervision fees were earned from GCI for the management of GCI’s newbuild vessels and are included in revenue.

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4. Gross investment in lease:

	September 30, 2018	December 31, 2017
Gross investment in lease	$ 873,157	$ 723,374
Current portion	(44,348)	(35,478)
Gross investment in lease	$ 828,809	$ 687,896

In April 2015, the Company entered into an agreement with MSC to bareboat charter five 11000 TEU vessels for a 17-year term, beginning from the vessel delivery dates. Pursuant to the Company's right of first refusal agreement with GCI, the Company retained three of the vessels and GCI acquired the remaining two vessels. In June 2016, two of the five 11000 TEU vessels and associated bareboat charter contracts were acquired by the Company from GCI. At the end of each 17-year bareboat charter term, MSC has agreed to purchase each vessel for $32,000,000. Each transaction is considered a direct financing lease and accounted for as a disposition of vessels upon delivery of each vessel.

In 2017, four of the five 11000 TEU vessels delivered and commenced their 17-year bareboat charters. In January 2018, the fifth 11000 TEU vessel delivered and commenced its 17-year bareboat charter.

5. Vessels:

September 30, 2018	Cost	Accumulated depreciation	Net book value
Vessels	$7,869,224	$ 1,886,367	$5,982,857

December 31, 2017	Cost	Accumulated depreciation	Net book value
Vessels	$6,116,091	$ 1,725,237	$4,390,854

Vessels under construction	146,362	—	146,362
Vessels	$6,262,453	$ 1,725,237	$4,537,216

During the three and nine months ended September 30, 2018, the Company capitalized interest costs of nil and $769,000, respectively, (September 30, 2017 - $2,622,000 and $8,408,000) to vessels under construction.

6. Deferred charges:

	Dry-docking	Financing fees	Total
December 31, 2017	$ 42,536	$ 19,484	$62,020
Cost incurred	8,265	27	8,292
Amortization expensed	(12,526)	(1,666)	(14,192)
September 30, 2018	$ 38,275	$ 17,845	$56,120

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7. Deferred revenue:

	September 30, 2018	December 31, 2017
Deferred revenue on time charters	$ 18,169	$ 26,907
Deferred interest on lease receivable	419,240	355,451
Other deferred revenue	—	1,690
Deferred revenue	437,409	384,048
Current portion	(52,094)	(55,367)
Deferred revenue	$ 385,315	$ 328,681

8. Long-term debt:

	September 30, 2018	December 31, 2017
Long-term debt:		
Revolving credit facilities[(a)]	$ 812,299	$ 854,121
Term loan credit facilities[(b)]	2,243,757	1,196,016
Senior unsecured notes[(d)]	417,925	417,925
Senior notes due 2025[(e)]	250,000	—
	3,723,981	2,468,062
Fair value adjustment on term loan credit facilities	(2,477)	—
Discount on senior notes due 2025[(e)]	(85,612)	—
Deferred financing fees	(26,194)	(17,429)
Long-term debt	3,609,698	2,450,633
Current portion	(745,540)	(257,800)
Long-term debt	$ 2,864,158	$ 2,192,833

(a) Revolving facilities

In February 2018, the Company cancelled its $120,000,000 364-day, unsecured revolving loan facility, which had not been drawn.

In August 2018, the Company entered into a two-year revolving credit facility to draw up to $150,000,000 for use in general corporate purposes. The facility bears interest at LIBOR plus a margin. As at September 30, 2018, no amounts had been drawn under the facility.

At September 30, 2018, the one month average LIBOR was 2.2% (December 31, 2017 – 1.5%) and the margins ranged between 0.5% and 1.4% (December 31, 2017 – 0.5% and 1.4%) for revolving credit facilities. The weighted average rate of interest, including the margin, for our revolving credit facilities was 2.8% at September 30, 2018 (December 31, 2017 – 2.2%). Interest payments are made monthly.

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8. Long-term debt (continued):

(b) Term loan credit facilities

The following is a schedule of future minimum repayments of revolving facilities as of September 30, 2018:

Remainder of 2018	$24,101
2019	197,320
2020	53,281
2021	56,416
2022	422,941
Thereafter	58,240
	$812,299

In March 2018, the Company entered into a secured term loan facility for $100,000,000 which bears interest at LIBOR plus a margin. The facility is secured by 11 vessels currently owned by the Company which were previously unencumbered.

As part of the acquisition of GCI on March 13, 2018, the Company assumed long-term debt which was recorded at its fair value of $1,038,081,000 (see note 2). The assumed long-term debt consists primarily of 12 term loans to finance the 16 operating vessels. The term loans bear interest at LIBOR plus a margin.

In April 2018, the Company entered into a secured term loan facility for up to $120,000,000 to finance two 10000 TEU vessels that were delivered in May 2018. The loan bears interest at LIBOR plus a margin.

In August 2018, the Company made a repayment of $29,200,000 for the remaining principal balance of one of its secured term loan facilities. At September 30, 2018, as a result of the repayment on the secured term loan facility, four vessels were in the process of becoming unencumbered. The Company also made a prepayment of $29,000,000 for the remaining balance of an unsecured term loan facility.

In September 2018, the Company made a repayment of $100,900,000 on the principal balance of one of its secured term loan facilities to release two of the four vessels under security. At September 30, 2018, these vessels were in the process of becoming unencumbered.

At September 30, 2018, the one month, three month and six month average LIBOR was 2.2%, 2.4% and 2.5%, respectively (December 31, 2017 – 1.6%, 1.5% and 1.5%, respectively) and the margins ranged between 0.4% and 4.8% (December 31, 2017 – 0.4% and 4.8%) for term loan credit facilities.

The following is a schedule of future minimum repayments of term loan credit facilities as of September 30, 2018:

Remainder of 2018	$47,587
2019	214,845
2020	293,793
2021	412,201
2022	277,828
Thereafter	997,503
	$2,243,757

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8. Long-term debt (continued):

(b) Term loan credit facilities (continued)

For certain of our term loan credit facilities with a total principal outstanding of $68,708,000, interest is calculated based on the Export-Import Bank of Korea (KEXIM) rate plus 0.7% per annum.

The weighted average rate of interest, including the margin, was 4.6% at September 30, 2018 (December 31, 2017 – 3.6%) for term loan credit facilities. Interest payments are made in monthly, quarterly or semi-annual payments.

Waivers

For one of the Company's term loan credit facilities, the Company initially obtained a waiver from the lender extending the grace period for securing acceptable replacement charters for two of the vessels to the fourth quarter of 2017. In September 2017, the Company received another waiver from the lender which extends the grace period for securing replacement charters to October 2020. If either of the vessels remains unemployed for a consecutive period of more than 90 days, then the waiver will be terminated. For four GCI vessels financed by the same lender, a similar waiver was received by GCI. At September 30, 2018, two of the four GCI vessels were in the process of being released from security as a result of the related principal repayment on the facility.

For another one of the Company's term loan credit facilities, the Company entered into a supplement to the loan agreement with the lender for one vessel, extending the grace period for securing an acceptable replacement charter for the vessel to the fourth quarter of 2018. In March 2018, the Company entered into another supplement to the loan agreement with the lender to remove the requirement to secure an acceptable replacement charter by the fourth quarter of 2018. In connection with this supplement to the loan agreement the Company prepaid $10,000,000 of the loan balance in March 2018. The final maturity of this facility is December 2022.

(c) Credit facilities – other

As of September 30, 2018, the Company's credit facilities were secured by first-priority mortgages granted on 76 of its vessels, of which six were in the process of being released from security, 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.

The Company may prepay certain amounts outstanding without penalty, other than breakage costs in certain circumstances. In certain circumstances a prepayment may be required as a result of certain events, including the sale or loss of a vessel, a termination or expiration of a charter (and the inability to enter into a charter suitable to lenders within a period of time). The amount that must be prepaid may be calculated based on the loan to market value. In these circumstances, valuations of our vessels are conducted on a "without charter" basis as required under the credit facility agreement.

Each credit facility, other than credit facilities of GCI's subsidiaries, contains financial covenants requiring the Company to maintain minimum liquidity, tangible net worth, interest coverage ratios, interest and principal coverage ratios, and debt-to-assets ratios, as defined. For GCI, each borrower under each facility is a special purpose entity and subsidiary of GCI. Each facility is guaranteed by GCI and as the guarantor, GCI must meet certain consolidated financial covenants under these term loan facilities including maintaining certain minimum tangible net worth, cash requirements and debt to asset ratios. Some of the facilities also have an interest and principal coverage ratio requirement for the subsidiary borrower. The Company was in compliance with these covenants at September 30, 2018.

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8. Long-term debt (continued):

(d) Senior unsecured notes

In March 2017, the Company entered into a repurchase plan for up to $10,000,000 of its senior unsecured notes which mature in April 2019. During the nine months ended September 30, 2018, the Company did not repurchase any senior unsecured notes.

(e) Senior notes due 2025

In February 2018, the Company issued to Fairfax, in a private placement, $250,000,000 aggregate principal of 5.50% senior notes due 2025 and warrants (note 11) to purchase 38,461,539 of the Company's Class A common shares for an aggregate issue price of $250,000,000. The Fairfax Notes are guaranteed by certain of the Company's subsidiaries. The proceeds of the Fairfax Notes and Fairfax Warrants were allocated to each security on a relative fair value basis.

In March 2018, the Company entered into a subscription agreement with Fairfax pursuant to which the Company will sell and Fairfax will purchase $250,000,000 aggregate principal of 5.50% interest bearing debentures (the "Second Fairfax Notes") and warrants to purchase 38,461,539 Class A common shares of the Company, at $6.50 per share, for an aggregate purchase price of $250,000,000 (the "Second Fairfax Warrants"). This transaction is expected to close in January 2019, subject to certain closing conditions including no material adverse changes as it relates to the Company.

In July 2018, the Fairfax Notes and Second Fairfax Notes were amended to provide Fairfax with the option to redeem the notes at each anniversary date of issuance (the "Annual Put Right"). To exercise this option, Fairfax is required to provide notice of exercise commencing 150 days and ending 120 days prior to each applicable anniversary date. On September 26, 2018, Fairfax waived the Annual Put Right for the Fairfax Notes for its first anniversary date in February 2019.

9. Long-term obligations under capital lease:

	September 30, 2018	December 31, 2017
Long-term obligations under capital lease	$ 660,132	$ 648,840
Deferred financing fees	(8,402)	(9,912)
Long-term obligations under capital lease	651,730	638,928
Current portion	(47,996)	(43,912)

Long-term obligations under capital lease	$ 603,734	$ 595,016

Based on maximum amounts funded, payments due to the lessors as at September 30, 2018 were as follows:

Remainder of 2018	$10,270
2019	50,730
2020	144,439
2021	42,459
2022	43,801
Thereafter	368,433
	$660,132

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10. Other long-term liabilities:

	September 30, 2018	December 31, 2017
Deferred gain on sale-leasebacks	$ 186,598	$ 203,737
Other	33,085	19,284
Other long-term liabilities	219,683	223,021
Current portion	(37,292)	(23,635)
Other long-term liabilities	$ 182,391	$ 199,386

11. Puttable preferred shares and share capital:

Common shares:

At its April 2018 annual general meeting, the Company amended its number of authorized Class A common shares from 200,000,000 to 400,000,000 common shares.

Preferred shares:

In September 2018, the Company issued 6,000,000 Series I fixed-to-floating rate preferred shares for gross proceeds of $150,000,000. Dividends are cumulative at a fixed rate of 8.00% until, but excluding, October 30, 2023. From and including October 30, 2023, dividends are based on three-month LIBOR plus a margin of 5.008%.

At September 30, 2018, the Company had the following preferred shares outstanding:

	Shares		Dividend rate per annum	Redemption by Company	Liquidation preference	
Series	Authorized	Issued		permitted on or after	September 30, 2018	December 31, 2017
A	315,000				$	$

B	260,000					
C	40,000,000					
D	20,000,000	7,017,313[2]	7.95	% January 30, 2018[2]	175,433[1]	125,772
E	15,000,000	5,415,937	8.25	% February 13, 2019[2]	135,398	135,398
F	20,000,000	[3]			[3]	140,000
G	15,000,000	7,800,800	8.20	% June 16, 2021[2]	195,020	195,020
H	15,000,000	9,025,105	7.875	% August 11, 2021[2]	225,628	225,628
I	6,000,000	6,000,000	8.00	% October 30, 2023[2]	150,000	
R	1,000,000					

(1) Includes 1,986,449 puttable preferred shares with a liquidation preference of $49,661,000.
(2) Redeemable by the Company, in whole or in part, at a redemption price of $25.00 per share plus unpaid dividends. The preferred shares are not convertible into common shares and are not redeemable by the holder.
(3) In July 2018, the Company redeemed all Series F preferred shares for $140,000,000 plus accrued dividends of $3,430,000.

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11. Puttable preferred shares and share capital (continued):

Warrants:

The Fairfax Warrants entitle the holder to purchase one share of the Company's Class A common shares at an exercise price of $6.50 per share. Each warrant is exercisable within seven years and the exercise price of the Fairfax Warrants is subject to certain closing conditions including no material adverse changes as it relates to the Company. The holder may pay the aggregate exercise price in cash, by redemption of a fixed amount of Fairfax Notes or by any combination of the foregoing. The Company can elect to require early exercise of the Fairfax Warrants, at any time after February 14, 2022, if the volume weighted average price of the Company's Class A common shares, averaged over a 20-day period, equals or exceeds twice the exercise price of the Fairfax Warrants at that time. The proceeds of the Fairfax Notes and Fairfax Warrants were allocated to each security on a relative fair value basis.

On July 16, 2018, the Company closed an agreement such that Fairfax agreed to exercise the Fairfax Warrants immediately and to exercise the Second Fairfax Warrants upon issuance in January 2019.

In consideration for Fairfax early exercising the Fairfax Warrants and the Second Fairfax Warrants, the Company issued New Warrants to purchase 25,000,000 Class A common shares at an exercise price of $8.05 per share. Each warrant is exercisable within seven years and the exercise price of the New Warrants is subject to customary anti-dilution adjustments. The holder may pay the aggregate exercise price by cash, by cashless exercise or by any combination of the foregoing. The Company can elect to require early exercise of the New Warrants, at any time after July 16, 2022, if the volume weighted average price of the Company's Class A common shares, averaged over a 20-day period, equals or exceeds twice the exercise price of the New Warrants three days prior to the exercise notice.

If the Second Fairfax Warrants are not exercised in January 2019, 12,500,000 of the New Warrants or the Class A common shares, if exercised, will be cancelled.

12. Earnings per share ("EPS"):

	Three months ended September 30, 2018			Three months ended September 30, 2017		
	Earnings	Shares	Per share	Earnings	Shares	Per share

	(numerator)	(denominator)	amount	(numerator)	(denominator)	amount
Net earnings	$79,973			$48,377		
Less preferred share dividends:						
Series D	(3,926)			(2,475)		
Series E	(2,793)			(2,768)		
Series F	(939)			(2,433)		
Series G	(3,998)			(3,998)		
Series H	(4,442)			(4,430)		
Series I	(400)			—		
Basic EPS:						
Earnings attributable to common shareholders	$63,475	170,232,000	$ 0.37	$32,273	121,752,000	$ 0.27
Effect of dilutive securities:						
Share-based compensation	—	543,000		—	79,000	
Fairfax warrants	—	3,255,000		—	—	
Diluted EPS[1]:						
Earnings attributable to common shareholders	$63,475	174,030,000	$ 0.36	$32,273	121,831,000	$ 0.26

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12. Earnings per share ("EPS") (continued):

	Nine months ended September 30, 2018			Nine months ended September 30, 2017		
	Earnings (numerator)	Shares (denominator)	Per share amount	Earnings (numerator)	Shares (denominator)	Per share amount
Net earnings	$215,701			$116,684		
Less preferred share dividends:						
Series D	(10,679)			(7,425)		
Series E	(8,378)			(8,308)		
Series F	(8,289)			(7,298)		
Series G	(11,994)			(11,993)		
Series H	(13,326)			(13,289)		
Series I	(400)			—		
Basic EPS:						
Earnings attributable to common shareholders	$162,635	147,292,000	$ 1.10	$68,371	114,201,000	$ 0.60
Effect of dilutive securities:						
Share-based compensation	—	381,000		—	59,000	
Fairfax warrants	—	3,860,000		—	—	
Diluted EPS(1):						
Earnings attributable to common shareholders	$162,635	151,533,000	$ 1.07	$68,371	114,260,000	$ 0.60

(1) The conversion of convertible Series F preferred shares are not included in the computation of diluted EPS when their effects are anti-dilutive.

13. Share-based compensation:

A summary of the Company's outstanding restricted shares, phantom share units, stock appreciation rights and restricted stock units as of and for the nine months ended September 30, 2018 is presented below:

	Restricted shares		Phantom share units		Stock appreciation rights		Restricted stock units	
	Number of shares	W.A. grant date FV	Number of units	W.A. grant date FV	Number of SARs	W.A. grant date FV	Number of units	W.A. grant date FV
December 31, 2017	94,533	$8.89	727,001	$13.60	485,974	$3.40	71,184	$7.80
Granted	164,326	7.19	30,000	6.86	—	—	109,248	9.73
Vested	(119,509)	8.52	—	—	—	—	(83,220)	9.87
Cancelled	(53,608)	7.10	(76,666)	11.54	—	—	(12,441)	7.28
Expired	—	—	—	—	(485,974)	3.40	—	—
September 30, 2018	85,742	$7.28	680,335	$13.53	—	$—	84,771	$8.33

In January 2018, the Company granted the Chief Executive Officer (“CEO”) stock options to acquire 500,000 Class A common shares at an exercise price of $7.20 per share. The stock options vest equally on each of the first five anniversaries of the CEO’s start date in January 2018 and expire on January 8, 2028.

During the three and nine months ended September 30, 2018, the Company amortized $332,000 and $1,761,000 respectively (September 30, 2017 - $1,516,000 and $5,282,000) in share-based compensation expense related to the above share-based compensation awards.

At September 30, 2018, there was (i) $1,915,000 (December 31, 2017 – $4,178,000) of total unamortized compensation costs relating to unvested share-based compensation awards, which are expected to be recognized over a weighted-average period of 22 months and (ii) 2,074,087

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13. Share-based compensation (continued):

(December 31, 2017 – 2,952,896) shares remaining for issuance under the Company's Stock Incentive Plan, as amended.

(a) Restricted shares and phantom share units:

Class A common shares are issued on a one-for-one basis in exchange for the cancellation of vested restricted shares and phantom share units. The restricted shares generally vest over one year and the phantom share units generally vest over three years. During the nine months ended September 30, 2018, the fair value of restricted shares vested was $1,018,000 (September 30, 2017 – $880,000).

As vested outstanding phantom share units are only exchanged for common shares upon written notice from the holder, the phantom share units that are exchanged for common shares may include units that vested in prior periods. At September 30, 2018, 650,335 (December 31, 2017 – 587,001) of the outstanding phantom share units were vested and available for exchange by the holder.

(b) Other share-based awards:

During the three and nine months ended September 30, 2018, the Company incurred nil and $2,326,000, respectively, (September 30, 2017 – $551,000 and $1,605,000) in transaction fees that were capitalized to vessels, all of which were paid in Class A common shares. The number of shares issued under each of these arrangements is based on volume weighted-average share prices as defined in the underlying agreements.

During the three and nine months ended September 30, 2018, the Company incurred no arrangement fees. During the three and nine months ended September 30, 2017, the Company incurred arrangement fees of nil and $1,872,000, respectively, all of which were paid in Class A common shares.

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14. Supplemental cash flow information:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Interest paid	$ 55,110	$ 29,353	$ 142,178	$ 84,005
Interest received	1,056	1,074	2,300	5,755
Undrawn credit facility fee paid	—	765	430	2,028
Non-cash transactions:				
Dividend reinvestment	7,616	7,044	22,300	14,726
Arrangement and transaction fees settled in shares	—	551	2,326	3,542
Issuance of New Warrants	67,523	—	67,523	—
Capital contribution through settlement of loans to affiliate	—	—	—	6,667
Offset of swaption against swap liability termination	—	—	—	10,852
Repayment of debt from sale-leaseback transaction proceeds	—	—	—	53,247
Issuance of Class A common shares on acquisition (note 2)	—	—	13,908	—
Issuance of Series D preferred shares on acquisition (note 2)	—	—	47,158	—
Settlement of loans to affiliate, accrued interest and other intercompany balances on	—	—	38,849	—

acquisition (note 2)				
Settlement of GCI transaction fees paid by the Company (note 2)	—	—	15,224	—
Carrying value of previously held equity in GCI settled on acquisition (note 2)	—	—	61,891	—

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the amounts shown in the consolidated statements of cash flows:

	September 30,	
	2018	2017
Cash and cash equivalents	$391,030	$308,927
Restricted cash included in other assets	14,065	19,463
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$405,095	$328,390

Restricted cash included in Other Assets represents amounts required to be set aside by contractual agreement for two of the Company’s capital leases. The restriction will be removed on termination of the charter agreement.

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15. Commitments and contingencies:

(a) At September 30, 2018, the minimum future revenues to be received on committed time-charter party agreements and interest income from direct financing leases are as follows:

Remainder of 2018	$288,408
2019	1,084,823
2020	978,954
2021	847,083
2022	684,831
Thereafter	1,219,515
	$5,103,614

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

(b) At September 30, 2018, the commitment under operating leases for vessels is $1,303,977,000 for the remainder of 2018 to 2029 and for office space is $7,771,000 for the remainder of 2018 to 2024. Total commitments under these leases are as follows:

Remainder of 2018	$39,229
2019	156,538
2020	155,972
2021	155,674
2022	149,629
Thereafter	654,706
	1,311,748

16. Concentrations:

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
COSCON[1]	$87,681	$83,060	$254,030	$238,612
Yang Ming	64,746	37,899	170,811	104,192
MOL	43,336	30,950	119,321	92,248
CSCL Asia[1]	18,786	19,460	54,173	64,525
Other	80,432	39,644	203,084	117,366
	$294,981	$211,013	$801,419	$616,943

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

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17. Financial instruments:

(a) Fair value:

The carrying values of cash and cash equivalents, short-term investments, restricted cash, accounts receivable, loans to affiliate and accounts payable and accrued liabilities approximate their fair values because of their short term to maturity. As of September 30, 2018, the fair value of the Company's revolving and term loan credit facilities, excluding deferred financing fees is $2,981,160,000 (December 31, 2017 - $1,940,215,000) and the carrying value is $3,053,579,000 (December 31, 2017 - $2,050,137,000). As of September 30, 2018, the fair value of the Company's long-term obligations under capital lease, excluding deferred financing fees, is $676,283,000 (December 31, 2017 - $653,007,000) and the carrying value is $660,132,000 (December 31, 2017 - $648,840,000). The fair value of the revolving and term loan credit facilities and long-term obligations under capital lease, excluding deferred financing fees, are estimated based on expected principal repayments and interest, discounted by relevant forward rates plus a margin appropriate to the credit risk of the Company. Therefore, the Company has categorized the fair value of these financial instruments as Level 3 in the fair value hierarchy.

As of September 30, 2018, the fair value of the Company's senior unsecured notes is $423,051,000 (December 31, 2017 – $423,184,000) and the carrying value is $417,925,000 (December 31, 2017 – $417,925,000). The fair value of senior unsecured notes is calculated based on a quoted price that is readily and regularly available in an active market. Therefore, the Company has categorized the fair value of these financial instruments as Level 1 in the fair value hierarchy.

As of September 30, 2018, the fair value of the Fairfax Notes is $237,074,000 (December 31, 2017 – nil) and the carrying value is $164,388,000 (December 31, 2017 – nil). The Annual Put Right feature of the Fairfax Notes is considered an embedded derivative that is separately accounted for and will be re-measured at fair value at the end of each reporting period. The fair value of the derivative put instrument at each reporting period is derived from the difference between the fair value of the Fairfax Notes and the fair value of a similar debt without an Annual Put Right, which are calculated using a trinomial tree. The assumptions used include our estimate of the risk-free yield curve, interest volatility and Company specific credit risk. The fair value of the Fairfax Notes and derivative put instrument is determined based on interest rate inputs that are unobservable. Therefore, the Company has categorized the fair value of these derivative financial instruments as Level 3 in the fair value hierarchy.

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

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17. Financial instruments (continued):

(b) Interest rate derivative financial instruments:

As of September 30, 2018, the Company had the following outstanding interest rate derivatives:

Fixed per annum rate swapped for LIBOR	Notional amount as of September 30, 2018	Maximum notional amount[1]	Effective date	Ending date
5.8700%	$ 566,984	$ 566,984	August 31, 2017	November 28, 2025[2]
5.4200%	376,421	376,421	September 6, 2007	May 31, 2024
5.6000%	128,400	128,400	June 23, 2010	December 23, 2021[3]
3.2675%	71,320	71,320	September 8, 2015	September 8, 2020
3.0900%	69,882	69,882	June 5, 2015	June 5, 2020
1.6000%	43,750	43,750	April 7, 2014	March 20, 2019

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

(2) Swap counterparty has an early termination right in August 2019 which may require the Company to settle the swap earlier than the termination date.

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

If interest rates remain at their current levels, the Company expects that $27,487,000 would be settled in cash in the next 12 months on interest rate swaps maturing after September 30, 2018. The amount of the actual settlement may be different depending on the interest rate in effect at the time settlements are made.

(c) Fair value of asset and liability derivatives:

The following provides information about the Company's derivatives:

	September 30, 2018	December 31, 2017
Fair value of financial instruments asset	$ 187	$ —
Fair value of financial instruments liability		
Interest rate swaps	110,539	168,860
Derivative put instrument	11,319	—

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17. Financial instruments (continued):

(c) Fair value of asset and liability derivatives (continued):

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Earnings (loss) on derivatives recognized in net earnings:				
Change in fair value of interest rate swap	$ 3,705	$ (2,444)	$ 28,954	$ (19,471)
Change in fair value of derivative put instrument	821	—	821	—
Loss reclassified from AOCL to net earnings[1]				
Interest expense	(80)	(144)	(254)	(1,824)
Depreciation and amortization	(191)	(198)	(593)	(655)

[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 $1,062,000.

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18. Guarantor financial information:

The Fairfax Notes are guaranteed by the following wholly owned subsidiaries of the Company, each a "Guarantor":

- Seaspan 140 Ltd.
- Seaspan Holding 140 Ltd.
- Seaspan (Asia) Corporation
- Seaspan Containership 2180 Ltd.
- Seaspan Containership 2181 Ltd.
- Seaspan Holdco I Ltd.
- Seaspan Holdco II Ltd.
- Seaspan Holdco III Ltd.
- Seaspan Holdco IV Ltd.
- Seaspan Investment I Ltd.
- Seaspan Ship Management Ltd.
- Seaspan Crew Management Ltd.
- Seaspan Management Services Limited
- Seaspan Advisory Services Limited

The guarantees are full and unconditional and joint and several, subject to certain customary release provisions including (1) the sale, exchange or transfer of a Guarantor in accordance with the terms of the Fairfax Notes (2) upon the legal defeasance or covenant defeasance or discharge of obligations under the Fairfax Notes and (3) merger or consolidation of a Guarantor with Seaspan Corporation or another Guarantor For the purposes of the following footnote, Seaspan Corporation is referred to as "Issuer". The following supplemental combining and condensed consolidating financial information reflects the Issuer's separate account, the combined accounts of the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries, the combining and consolidating adjustments and eliminations and the Issuer's consolidated accounts for the dates and periods indicated. For purposes of the following combining and consolidating information, the Issuer's investment in its subsidiaries and the Guarantor subsidiaries' investments in their subsidiaries include their proportionate interest in the net assets of the subsidiaries.

The following tables present consolidated financial information related to the guarantees of the Fairfax Notes:

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18. Guarantor financial information (continued):

	September 30, 2018 Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$271,521	$30,444	$89,065	$—	$391,030
Short-term investments	—	105	2,400	—	2,505
Accounts receivable	184,389	52,529	315	(229,519)	7,714
Prepaid expenses and other	23,090	30,179	6,157	(17,218)	42,208
Gross investment in lease	44,348	—	—	—	44,348
Fair value of financial instruments	—	—	187	—	187
	523,348	113,257	98,124	(246,737)	487,992
Vessels	3,853,044	297,013	2,226,921	(394,121)	5,982,857
Deferred charges	53,307	1,438	4,074	(2,699)	56,120
Gross investment in lease	828,809	—	—	—	828,809
Goodwill	—	—	—	75,321	75,321
Intercompany accounts receivable (payable)	(3,751)	2,497	1,254	—	—
Investment in subsidiary	936,640	562,051	—	(1,498,691)	—
Other assets	54,962	16,090	21,509	68,594	161,155
	$6,246,359	$992,346	$2,351,882	$(1,998,333)	$7,592,254
Liabilities, puttable preferred shares and shareholders' equity					
Current liabilities:					
Accounts payable and accrued liabilities	$63,305	$48,311	$173,889	$(214,937)	$70,568
Current portion of deferred revenue	48,366	18,754	3,727	(18,753)	52,094
Current portion of long-term debt	642,912	—	102,628	—	745,540
Current portion of long-term obligations under capital lease	31,903	16,093	—	—	47,996
Current portion of other long-term liabilities	23,594	—	—	13,698	37,292
	810,080	83,158	280,244	(219,992)	953,490

Deferred revenue	385,315	—	—	—	385,315
Long-term debt	1,805,304	—	1,050,390	8,464	2,864,158
Long-term obligations under capital lease	467,312	136,422	—	—	603,734
Other long-term liabilities	175,835	12,984	214,810	(221,238)	182,391
Fair value of financial instruments	121,205	—	653	—	121,858
Total liabilities	3,765,051	232,564	1,546,097	(432,766)	5,110,946
Puttable preferred shares	47,695	—	—	—	47,695
Shareholders' equity:					
Share capital	2,100	41,789	526,531	(568,320)	2,100
Treasury shares	(371)	—	—	—	(371)
Additional paid in capital	3,124,759	551,389	109,488	(660,877)	3,124,759
Retained earnings (deficit)	(670,034)	166,604	169,766	(336,370)	(670,034)
Accumulated other comprehensive loss	(22,841)	—	—	—	(22,841)
	2,433,613	759,782	805,785	(1,565,567)	2,433,613
	$6,246,359	$992,346	$2,351,882	$(1,998,333)	$7,592,254

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18. Guarantor financial information (continued):

	December 31, 2017				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$146,328	$77,712	$ 29,136	$—	$253,176
Short-term investments	—	104	—	—	104
Accounts receivable	37,303	25,347	—	(50,972)	11,678
Loans to affiliate	36,100	—	—	—	36,100
Prepaid expenses and other	29,037	30,348	938	(15,454)	44,869
Gross investment in lease	35,478	—	—	—	35,478
	284,246	133,511	30,074	(66,426)	381,405
Vessels	3,918,672	286,342	332,202	—	4,537,216
Deferred charges	58,397	1,889	1,734	—	62,020
Gross investment in lease	687,896	—	—	—	687,896
Goodwill	—	—	—	75,321	75,321
Intercompany accounts receivable and payable	(11,594)	11,189	405	—	—
Investment in subsidiary	474,713	59,902	—	(534,615)	—
Other assets	57,757	79,574	7,370	(10,417)	134,284
	$5,470,087	$572,407	$ 371,785	$(536,137)	$5,878,142
Liabilities and shareholders' equity					
Current liabilities:					
Accounts payable and accrued liabilities	$35,307	$75,125	$ 2,789	$(50,001)	$63,220
Current portion of deferred revenue	54,578	16,104	140	(15,455)	55,367
Current portion of long-term debt	239,858	—	17,942	—	257,800
Current portion of long-term obligations under capital lease	28,534	15,378	—	—	43,912
Current portion of other long-term liabilities	23,635	—	—	—	23,635
	381,912	106,607	20,871	(65,456)	443,934
Deferred revenue	327,641	1,040	—	—	328,681
Long-term debt	2,001,504	—	191,329	—	2,192,833
Long-term obligations under capital lease	445,279	149,737	—	—	595,016
Other long-term liabilities	195,459	15,273	—	(11,346)	199,386
Fair value of financial instruments	168,860	—	—	—	168,860

Shareholders' equity:					
Share capital	1,646	41,789	33,299	(75,088)	1,646
Treasury shares	(377)	—	—	—	(377)
Additional paid in capital	2,752,988	158,418	109,488	(267,906)	2,752,988
Retained earnings (deficit)	(781,137)	99,543	16,798	(116,341)	(781,137)
Accumulated other comprehensive loss	(23,688)	—	—	—	(23,688)
	1,949,432	299,750	159,585	(459,335)	1,949,432
	$ 5,470,087	$ 572,407	$ 371,785	$ (536,137)	$ 5,878,142

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18. Guarantor financial information (continued):

	Nine months ended September 30, 2018				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	$645,793	$200,360	$ 168,179	$ (212,913)	$ 801,419
Operating expenses:					
Ship operating	179,859	143,601	29,753	(189,537)	163,676
Depreciation and amortization	131,223	10,471	43,969	(4,578)	181,085
General and administrative	24,101	16,877	1,516	(18,000)	24,494
Operating leases	82,618	4,088	9,865	—	96,571
	417,801	175,037	85,103	(212,115)	465,826
Operating earnings	227,992	25,323	83,076	(798)	335,593
Other expenses (income):					
Interest expense and amortization of deferred financing fees	108,166	6,343	40,126	(157)	154,478
Interest income	(2,442)	(307)	(144)	—	(2,893)
Undrawn credit facility fees	359	—	—	—	359
Acquisition related gain on contract settlement	—	(2,430)	—	—	(2,430)
Write-off of financing fees	(988)	—	988	—	—
Change in fair value of financial instruments	(29,406)	109	(478)	—	(29,775)
Equity income on investment	(64,072)	(46,067)	—	108,923	(1,216)
Other expense (income)	674	613	82	—	1,369
	12,291	(41,739)	40,574	108,766	119,892
Net earnings (loss)	$215,701	$67,062	$ 42,502	$ (109,564)	$ 215,701

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18. Guarantor financial information (continued):

	Nine months ended September 30, 2017				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	$ 591,950	$ 192,053	$ 33,218	$ (200,278)	$ 616,943
Operating expenses:					
Ship operating	176,874	133,087	8,125	(182,278)	135,808
Cost of services	—	650	—	—	650
Depreciation and amortization	129,571	9,951	10,057	—	149,579
General and administrative	35,174	11,751	84	(18,000)	29,009
Operating leases	72,054	3,753	9,183	—	84,990
Expenses related to customer bankruptcy	471	—	542	—	1,013
Gain on disposal	—	(6,606)	—	—	(6,606)
	414,144	152,586	27,991	(200,278)	394,443
Operating earnings	177,806	39,467	5,227	—	222,500
Other expenses (income):					
Interest expense and amortization of deferred financing fees	71,071	5,826	8,164	—	85,061
Interest income	(3,174)	(269)	(2)	—	(3,445)
Undrawn credit facility fees	1,849	—	—	—	1,849
Acquisition related gain on contract settlement	—	—	—	—	—
Change in fair value of financial instruments	18,898	573	—	—	19,471
Equity income on investment	(33,968)	(9,213)	—	39,142	(4,039)
Other expense (income)	6,446	473	—	—	6,919
	61,122	(2,610)	8,162	39,142	105,816
Net earnings (loss)	$ 116,684	$ 42,077	$ (2,935)	$ (39,142)	$ 116,684

	Nine months ended September 30, 2018				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net earnings (loss)	$215,701	$ 67,062	$ 42,502	$ (109,564)	$ 215,701
Other comprehensive income:					
Amounts reclassified to net earnings during the year relating to cash flow hedging instruments	847	—	—	—	847
Comprehensive income (loss)	$216,548	$ 67,062	$ 42,502	$ (109,564)	$ 216,548

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18. Guarantor financial information (continued):

	Nine months ended September 30, 2017				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net earnings (loss)	$116,684	$ 42,077	$ (2,935)	$ (39,142)	$ 116,684
Other comprehensive income:					
Amounts reclassified to net earnings during the year relating to cash flow hedging instruments	2,479	—	—	—	2,479
Comprehensive income (loss)	$119,163	$ 45,727	$ (2,933)	$ (42,793)	$ 119,163

	Three months ended September 30, 2018				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	$224,484	$ 67,017	$ 72,858	$ (69,378)	$ 294,981
Operating expenses:					
Ship operating	61,285	45,070	12,377	(63,372)	55,360
Depreciation and amortization	44,295	3,408	17,350	—	65,053
General and administrative	6,916	6,911	321	(6,000)	8,148
Operating leases	28,283	1,403	3,362	—	33,048
	140,779	56,792	33,410	(69,372)	161,609
Operating earnings	83,705	10,225	39,448	(6)	133,372
Other expenses (income):					
Interest expense and amortization of deferred	38,995	2,220	17,016	—	58,231

financing fees					
Interest income	(952)	(102)	(74)	—	(1,128)
Undrawn credit facility fees	64	—	—	—	64
Write-off of financing fees	(988)	—	988	—	—
Change in fair value of financial instruments	(4,314)	(6)	(206)	—	(4,526)
Equity income on investment	(29,564)	(22,307)	—	51,871	—
Other expense (income)	491	267	—	—	758
	3,732	(19,928)	17,724	51,871	53,399
Net earnings (loss)	$79,973	$ 30,153	$ 21,724	$ (51,877)	$ 79,973

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For the three and nine months ended September 30, 2018 and 2017

(Unaudited)

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

18. Guarantor financial information (continued):

	Three months ended September 30, 2017				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	$201,528	$ 60,466	$ 11,853	$ (62,834)	$ 211,013
Operating expenses:					
Ship operating	58,909	40,631	2,672	(56,834)	45,378
Cost of services	—	650	—	—	650
Depreciation and amortization	43,334	3,422	3,079	—	49,835
General and administrative	16,251	3,776	7	(6,000)	14,034
Operating leases	25,954	1,254	3,124	—	30,332
Expenses related to customer bankruptcy	(72)	—	72	—	—
Gain on disposal	—	(6,606)	—	—	(6,606)
	144,376	43,127	8,954	(62,834)	133,623
Operating earnings	57,152	17,339	2,899	—	77,390
Other expenses (income):					
Interest expense and amortization of deferred financing fees	23,598	1,988	2,746	—	28,332
Interest income	(944)	(135)	(1)	—	(1,080)
Undrawn credit facility fees	584	—	—	—	584
Change in fair value of financial instruments	2,263	181	—	—	2,444
Equity income on investment	(16,723)	(3,287)	—	18,500	(1,510)
Other expense (income)	(3)	246	—	—	243

	8,775	(1,007)	2,745	18,500	29,013
Net earnings (loss)	$48,377	$ 18,346	$ 154	$ (18,500)	$ 48,377

	Three months ended September 30, 2018				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net earnings (loss)	$79,973	$ 30,153	$ 21,724	$ (51,877)	$ 79,973
Other comprehensive income:					
Amounts reclassified to net earnings during the year relating to cash flow hedging instruments	271	—	—	—	271
Comprehensive income (loss)	$80,244	$ 30,153	$ 21,724	$ (51,877)	$ 80,244

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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)

18. Guarantor financial information (continued):

	Three months ended September 30, 2017				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net earnings (loss)	$48,377	$ 18,346	$ 154	$ (18,500)	$ 48,377
Other comprehensive income:					
Amounts reclassified to net earnings during the year relating to cash flow hedging instruments	342	—	—	—	342
Comprehensive income (loss)	$48,719	$ 18,346	$ 154	$ (18,500)	$ 48,719

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For the three and nine months ended September 30, 2018 and 2017

(Unaudited)

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

18. Guarantor financial information (continued):

	Nine months ended September 30, 2018				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Cash provided from (used in):					
Operating activities:					
Net earnings (loss)	$ 215,701	$ 67,062	$ 42,502	$ (109,564)	$ 215,701
Items not involving cash:					
Depreciation and amortization	131,223	10,471	43,969	(4,578)	181,085
Share-based compensation	1,905	—	—	—	1,905
Amortization of deferred financing fees, debt discount and fair value of long-term debt	12,546	540	1,197	—	14,283
Amounts reclassified from other comprehensive loss to interest expense	254	—	—	—	254
Unrealized change in fair value of financial instruments	(59,794)	—	(3,040)	—	(62,834)
Acquisition related gain on contract settlement	—	(2,430)	—	—	(2,430)
Operating leases	(17,692)	—	—	—	(17,692)
Equity income on investment	(64,072)	(46,067)	—	108,923	(1,216)
Amortization of revenue contracts	5,461	—	—	—	5,461
Other	3	9	—	—	12
Change in non-cash operating working capital					
Accounts receivable	(125,026)	(27,178)	4,246	156,484	8,526
Lease receivable	32,423	—	—	673	33,096
Prepaid expenses and other	5,680	169	661	1,764	8,274
Deferred dry-dock	(8,265)	—	—	—	(8,265)
Accounts payable and accrued liabilities	30,105	(29,129)	154,513	(164,927)	(9,438)
Deferred revenue	(38,928)	1,610	(1,675)	(3,299)	(42,292)
Fair value of financial instruments	—	—	1,991	—	1,991
Other long-term liabilities	(1,470)	—	—	—	(1,470)
	6,624	8,692	(849)	(14,467)	—

Intercompany accounts payable and accounts receivable					
Cash from (used in) operating activities	126,678	(16,251)	243,515	(28,991)	324,951
Financing activities:					
Common shares issued, net of issuance costs	13,908	—	(13,908)	—	—
Preferred shares issued, net of issuance costs	144,416	—	—	—	144,416
Draws on credit facilities	205,600	—	120,000	—	325,600
Repayment of credit facilities	(159,543)	—	(209,581)	8,464	(360,660)
Draws on long-term obligations under capital lease	46,964	—	—	—	46,964
Repayment on long-term obligations under capital lease	(22,534)	(13,138)	—	—	(35,672)
Fairfax notes and warrants issued	250,000	—	—	—	250,000
Proceeds from Fairfax warrants	250,000	—	—	—	250,000
Redemption of Series F preferred shares	(143,430)	—	—	—	(143,430)
Financing fees	(10,535)	730	(8,762)	2,699	(15,868)
Dividends on common shares	(28,358)	—	—	—	(28,358)
Dividends on preferred shares	(49,680)	—	—	—	(49,680)
Cash from (used in) financing activities	496,808	(12,408)	(112,251)	11,163	383,312
Investing activities:					
Expenditures for vessels	(145,876)	(19,785)	(142,990)	2,025	(306,626)
Short-term investments	—	(1)	(2,400)	—	(2,401)
Other assets	(10,066)	—	12,576	—	2,510
Loans to affiliate	(427)	—	—	—	(427)
Acquisition of GCI	(333,581)	—	—	—	(333,581)
Cash acquired from GCI acquisition	—	—	70,121	—	70,121
Advances to related parties	(8,343)	1,179	(8,639)	15,803	—
Cash used in investing activities	(498,293)	(18,607)	(71,332)	17,828	(570,404)
Increase (decrease) in cash and cash equivalents	125,193	(47,266)	59,932	—	137,859
Cash, cash equivalents and restricted cash, beginning of period	146,328	85,601	35,307	—	267,236
Cash, cash equivalents and restricted cash, end of period	$ 271,521	$ 38,335	$ 95,239	$ —	$ 405,095

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

18. Guarantor financial information (continued):

	Nine months ended September 30, 2017				
	Parent Issuer	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash provided from (used in):					
Operating activities:					
Net earnings (loss)	$116,684	$ 42,077	$ (2,935)	$ (39,142)	$ 116,684
Items not involving cash:					