Seaspan CORP
Form 424B5
October 07, 2013
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The information contained in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying base prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated October 7, 2013

PRELIMINARY PROSPECTUS SUPPLEMENT

(to PROSPECTUS DATED AUGUST 19, 2013)

$125,000,000

Seaspan Corporation

% Convertible Senior Notes due 2018

We are offering $125,000,000 aggregate principal amount of our % convertible senior notes due October 15, 2018 the notes). The notes will bear interest at a rate of % per annum, payable semiannually in arrears on April 15 and October 15 of each year, beginning on April 15, 2014.

Holders may surrender their notes for conversion at any time prior to the close of business on the business day immediately preceding April 15, 2018 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on December 31, 2013, if the closing sale price of our Class A common shares, for at least 20 trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter immediately preceding the calendar quarter in which the conversion occurs, is more than 120% of the conversion price of the notes in effect on each applicable trading day; (2) during the ten consecutive trading-day period following any five consecutive trading-day period in which the trading price for the notes for each such trading day was less than 98% of the closing sale price of our Class A common shares on such date *multiplied by* the then-current conversion rate; or (3) upon the occurrence of specified corporate events. On or after April 15, 2018 until the close of business on the business day immediately preceding the stated maturity date, holders may surrender their notes for conversion at any time, regardless of the foregoing circumstances.

Upon conversion, we will pay or deliver, as the case may be, cash, our Class A common shares or a combination of cash and our Class A common shares, at our election, as described in this prospectus supplement.

The initial conversion rate will be Class A common shares for each $1,000 principal amount of notes, which represents an initial conversion price of approximately $ per Class A common share. The conversion rate will be subject to adjustment for certain events described herein but will not be adjusted for accrued interest. In addition, following certain corporate transactions that occur on or prior to the stated maturity date, we will increase the conversion rate for a holder that elects to convert its notes in connection with such a corporate transaction.

We may not redeem the notes prior to the stated maturity date. No sinking fund is provided for the notes.

For a more detailed description of the notes, see Description of Notes beginning on page S-104 of this prospectus supplement.

The notes will be our senior unsecured obligations and will rank: (i) senior in right of payment to our future indebtedness that is expressly subordinated in right of payment to the notes; (ii) equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; (iii) effectively junior to our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness; and (iv) structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries. The notes will not be guaranteed by any of our subsidiaries.

Concurrently with this offering of notes (this notes offering), we are offering, by means of a separate prospectus supplement up to 8,530,000 Class A common shares, 5,700,000 of which (or up to 6,555,000 if the underwriters in that concurrent offering exercise their option to purchase additional shares in full) (the primary shares) are to be sold by us, 300,000 of which (or up to 345,000 if the underwriters in that concurrent offering exercise their option to purchase additional shares in full) (the secondary shares) are to be sold by a selling shareholder, and up to 2,530,000 of which (the borrowed shares) are to be loaned by us to Deutsche Bank AG, London Branch (the share borrower), an affiliate of Deutsche Bank Securities Inc., an underwriter in this notes offering and the concurrent offering of our Class A common shares. The closing of this notes offering and the concurrent offering of borrowed shares are each contingent upon the other. However, the closing of the concurrent offering of primary shares and secondary shares is not contingent upon the closing of either this notes offering or the offering of borrowed shares, and the closing of this notes offering and the concurrent offering of borrowed shares are not contingent upon the closing of the offering of primary shares and secondary shares. See Description of the Share Lending Agreement and Underwriting in this prospectus supplement.

We do not intend to apply to list the notes on any securities exchange or for inclusion of the notes on any automated dealer quotation system. Our Class A common shares, par value $0.01 per share, are listed on The New York Stock Exchange under the symbol SSW. On October 4, 2013, the last reported sale price of our Class A common shares was $24.11 per share.

We have granted the underwriters named below the right to purchase, exercisable during the 30-day period beginning on the date of this prospectus supplement, up to an additional $18,750,000 aggregate principal amount of notes, solely to cover over-allotments.

Investing in the notes involves certain risks. See Risk Factors beginning on page S-17.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public offering price	%	$
Underwriting discounts and commissions	%	$
Proceeds, before expenses, to us	%	$

The public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from October , 2013.

The underwriters will purchase the notes from us and offer them to you, subject to certain conditions. We expect that the notes will be delivered in global form through the book-entry delivery system of The Depository Trust Company on or about October , 2013.

Joint Book-Running Managers

Deutsche Bank Securities

BofA Merrill Lynch

Citigroup

Credit Suisse

The date of this prospectus supplement is October , 2013.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying base prospectus, which gives more general information, some of which may not apply to this offering. Generally, when we refer to the prospectus, we are referring to both parts combined. If information in the prospectus supplement conflicts with information in the accompanying base prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus or in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated by reference into this prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of the notes in any state or jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus or the information that is incorporated by reference herein is accurate as of any date other than its respective date.

Unless we otherwise specify, when used in this prospectus supplement, the terms Seaspan, the Company, we, our and us refer to Seaspan Corporation and its subsidiaries, unless we state otherwise or the context indicates otherwise. 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, and which we acquired in January 2012.

References to shipbuilders are as follows:

SHIPBUILDER	REFERENCE
CSBC Corporation, Taiwan	CSBC
Hyundai Heavy Industries Co., Ltd.	HHI
Jiangsu New Yangzi Shipbuilding Co., Ltd.	New Jiangsu
Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd.	Jiangsu Xinfu

References to customers are as follows:

CUSTOMER	REFERENCE
China Shipping Container Lines (Asia) Co., Ltd.(1)	CSCL Asia
Compañia 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 Marine Transport Corp.	Yang Ming Marine
Yang Ming (UK) Ltd	Yang Ming

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

(2) A subsidiary of China COSCO Holdings Company Limited

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Prospectus Supplement

Base Prospectus

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SUMMARY

This summary highlights important information contained elsewhere in this prospectus supplement and the accompanying base prospectus. You should carefully read this prospectus supplement, the accompanying base prospectus and the documents incorporated by reference to understand fully our business and the terms of the notes, as well as tax and other considerations that are important to you in making your investment decision. You should consider carefully the Risk Factors section beginning on page S-17 of this prospectus supplement and on page 4 of the accompanying base prospectus to determine whether an investment in the notes is appropriate for you. Unless otherwise indicated, all references in this prospectus supplement to dollars and $ are to, and amounts are presented in, U.S. Dollars, and financial information presented in this prospectus supplement is prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. On September 28, 2013, we ordered five 10000 TEU vessels (or, the September 2013 ROFR Vessels) which are scheduled for delivery in 2015 and remain subject to allocation under our right of first refusal agreement with Greater China Intermodal Investments LLC, or GCI, which is our investment partnership established with an affiliate of global asset manager The Carlyle Group, or Carlyle, and others. For purposes of this prospectus supplement and unless otherwise set forth herein, we have assumed that, following allocation under the right of first refusal, we will own three of the vessels and GCI will own the remaining two vessels. The ultimate allocation of the vessels between us and GCI may differ from our assumption.

Our Company

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. We operate a fleet of 71 containerships (including eight vessels under long-term leases), and we have entered into contracts for the purchase of an additional 16 newbuilding containerships, which have scheduled delivery dates through May 2016. Of our 16 newbuilding containerships, 13 will commence operation under long-term, fixed-rate charters upon delivery. We expect to enter into long-term charter contracts for the remaining newbuilding containerships in the near future. The average age of the 71 vessels in our operating fleet is approximately six years.

Customers for our current operating fleet are COSCON, CSAV, CSCL Asia, HL USA, Hapag-Lloyd, K-Line, MSC, MOL, and Yang Ming. The customers for the 13 newbuilding containerships that are subject to charter contracts are Hanjin, MOL and Yang Ming Marine. Our primary objective is to continue to grow our business through accretive vessel acquisitions as market conditions allow.

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. The charters on the 71 vessels in our operating fleet have an average remaining term of approximately six years, excluding the effect of charterers options to extend certain time charters.

In January 2012, we acquired our Manager, which provides us with all of our technical, administrative and strategic services. Our Manager also manages a limited number of vessels for third and related parties.

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New Vessel Contracts

Our primary objective is to continue to grow our business through accretive vessel acquisitions focused on increasing cash flow as market conditions allow.

We have contracted to purchase 16 newbuilding containerships, which have scheduled delivery dates through May 2016. These vessels consist of the following, excluding the September 2013 ROFR Vessels:

Vessel	Vessel Class (TEU)	Length of Time Charter(1)	Charterer	Scheduled Delivery Date	Shipbuilder
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
Hull No. 2643	14000	10 years + one 2-year option	Yang Ming Marine	2015	HHI
Hull No. 2645	14000	10 years + one 2-year option	Yang Ming Marine	2015	HHI
Hull No. 2647	14000	10 years + one 2-year option	Yang Ming Marine	2015	HHI
Hull No. 1037	14000	Minimum 6 years to maximum of 10 years + one 2-year option	Yang Ming Marine	2016	CSBC
Hull No. 1039	14000	Minimum 6 years to maximum of 10 years + one 2-year option	Yang Ming Marine	2016	CSBC

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

The September 2013 ROFR Vessels we ordered on September 28, 2013 are 10000 TEU vessels, which will be built by shipbuilders New Jiangsu and Jiangsu Xinfu and are scheduled for delivery in 2015.

The following chart indicates the estimated number of owned, leased and managed vessels in our fleet based on scheduled delivery dates as of September 30, 2013, including the September 2013 ROFR Vessels.

	Scheduled for the year ended December 31,			
	2013	2014	2015	2016
Owned and leased vessels, beginning of year	69	71	76	85
Deliveries	2	5	9	2
Total, end of year	71	76	85	87
Managed vessels, beginning of year		2	6	14
Deliveries	2	4	8	3
Total, end of year	2	6	14	17
Total Fleet	**73**	**82**	**99**	**104**
Approximate Total Capacity (TEU)	**423,500**	**513,500**	**723,500**	**793,500**

Market Opportunity

We believe that there is an opportunity for shipowners with access to capital to acquire vessels at attractive prices and employ them in a manner that will generate attractive returns on capital and is accretive to cash flow. Due to the financial constraints of shipowners and lower

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rates of growth in global trade, orders for newbuilding containerships, as a percentage of the global fleet, have declined since peaking in 2008. The current orderbook represents approximately 21.8% of global fleet capacity and is heavily weighted towards larger post-panamax vessels greater than 8000 TEU. We believe demand for large fuel-efficient ships will remain strong as liners seek to reduce costs and achieve operating efficiencies, creating opportunities for shipowners with the necessary operational and financial capabilities.

We intend to continue to expand our fleet primarily through entering into newbuilding contracts with shipyards, but believe that there will also be select opportunities to acquire existing or newbuilding vessels from other shipowners, shipbuilders due to defaulting purchasers under construction contracts, or banks and other lessors that may acquire vessels upon borrower or lessee defaults. We believe we are well positioned to take advantage of current market opportunities. We believe that we will be able to fund the remaining payments for the containerships that we have contracted to purchase through the availability under our credit facilities, including future credit facilities, current cash balances, and operating cash flow. We believe we will be able to use our existing debt capacity and current cash balances (exclusive of amounts committed to finance the remaining payments on the vessels we have contracted to purchase), to fund additional growth beyond our contracted fleet.

We may seek to undertake additional acquisitions of high quality newbuilding or secondhand vessels through asset or business acquisitions, and we regularly consider potential opportunities. In evaluating these opportunities, we consider, among other things, the size of the vessels and the tenor of the related time charters relative to those in our existing fleet. We anticipate that we would fund the purchase price for any secondhand vessels we may acquire primarily through the assumption of debt, with the balance funded through borrowings under our existing credit facilities, cash, other financings or a combination thereof. There is no assurance that we will be able to acquire any of the containerships opportunities we are evaluating.

Our Competitive Strengths

We believe that we possess a number of competitive strengths that will allow us to capitalize on the opportunities in the containership industry, including the following:

- *Scale, Diversity and High Quality of Our Fleet.* We are one of the largest independent charter owners and managers of containerships and believe that the size of our fleet appeals to our customers and provides us cost savings through volume purchases and leverage in negotiating newbuilding contracts and accessing shipyard berths. Our operating fleet of 71 containerships has an average age of approximately six years, which is significantly below the industry average of approximately 10 years. Our newbuilding containerships also will be subject to our high standards for design, construction quality and maintenance. The vessels in our current operating fleet range in size from 2500 TEU to 13100 TEU, and our 13100 TEU containerships are among the largest containerships in operation. All of our newbuilding containerships under construction are 14000 TEU and 10000 TEU containerships. We believe that our operational cost savings and leverage with shipyards is further enhanced by our investment in GCI.

- *Strong, Long-Term Relationships with High-Quality Customers, Including Leading Asian Container Liner Companies.* We have developed strong relationships with our customers, which include leading container liner companies. We believe we are the largest charterer of containerships to China, and we anticipate that Asian demand for containerships will continue to rebound and grow following the recent worldwide economic downturn. We attribute the strength of our customer relationships in part to our consistent operational quality, customer oriented service and historical average utilization of approximately 99% since our initial public offering, or IPO, in 2005.

Enhanced Stability of Cash Flows Through Long-Term, Fixed-Rate Time Charters. Our vessels are primarily subject to long-term, fixed-rate time charters, which have an average remaining term of approximately six years. As a result, substantially all of our revenue is protected from the volatility of spot rates and short-term charters. To further promote cash flow stability, we have primarily placed newbuilding orders and purchased secondhand vessels when we have concurrently entered into long-term time charters with our customers. As at September 15, 2013, excluding any extensions of our time charters, we had an aggregate of approximately $6.3 billion of contracted future minimum revenue under existing fixed-rate time charters and interest income from sales-type capital leases. Our commercial arrangements allow Yang Ming Marine to reduce the number of newbuilding containerships to be delivered to us and chartered to Yang Ming Marine by up to three vessels. These commercial arrangements expire in August 2014. The contracted time charter revenue attributable to these three vessels is approximately $0.5 billion.

Proven Ability to Source Capital for Growth. Since our IPO in 2005, we have successfully accessed capital to grow our fleet. Including our IPO, we have raised approximately $2.3 billion in public and private issuances of equity securities. In addition, we have secured credit and lease facilities with aggregate outstanding borrowings and commitments of $4.6 billion as of June 30, 2013. We also accessed capital during the recent worldwide economic downturn, including raising preferred share equity and entering into sale-leaseback financings. As of June 30, 2013 and giving effect to the capital cost of our 8 newbuilding containerships ordered since that date, we had total remaining capital expenditures of approximately $1.5 billion relating to 16 newbuilding containerships. We expect to fund our remaining capital expenditures for these newbuilding vessels with our cash, approximately $450 million of availability under credit facilities associated with the newbuilding vessels as at September 15, 2013, and approximately $750 million of new debt financing that we expect to arrange in advance of vessel deliveries. We intend to continue to access existing capital, and to seek new sources of capital, to cost-effectively maintain and grow our fleet over the long term.

Significant Delivered Fleet Growth. We have significantly grown our fleet since our IPO in August 2005. At that time, we had an operating fleet of 10 vessels with another 13 vessels on order, aggregating 116,950 TEU. We now have 71 vessels in operation and 16 newbuilding containerships on order, aggregating 606,300 TEU, an increase since our IPO of 418% in TEU capacity. The aggregate capacity of these 16 newbuilding vessels that we have contracted to purchase, with scheduled delivery dates through May 2016, represents approximately 46% of the aggregate capacity of our vessels currently in operation. We believe that our longstanding relationships with key constituents in the containership industry, including container liner companies, shipbuilders and shipping banks, as well as our investment in GCI, will enable us to continue sourcing newbuilding and secondhand vessel acquisition opportunities at terms attractive to us.

Experienced Management. Our chief executive officer, chief operating officer and chief financial officer have over 60 years of combined professional experience in the shipping industry, and they have experience managing shipping companies through several

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economic cycles. The members of our management team have prior experience with many companies in the international ship management industry, such as China Merchants Group, Neptune Orient Lines, APL Limited, Safmarine Container Lines and Columbia Ship Management, and provide expertise across commercial, technical, financial and other functional management areas of our business. The acquisition of our Manager in January 2012 provides us direct control over these functions.

Our Business Strategies

We seek to continue to expand our business and increase our cash flow by employing the following business strategies:

Pursuing Long-Term, Fixed-rate Charters. We intend to continue to primarily employ our vessels under long-term, fixed-rate charters, which contribute to the stability of our cash flows. In addition, container liner companies typically employ long-term charters for strategic expansion into major trade routes, while using spot charters for shorter term discretionary needs. To the extent container liner companies expand their services into major trade routes, we believe we are well positioned to participate in their growth.

Expanding and Diversifying Our Customer Relationships. Since our IPO, we have increased our customer base from two to 11 customers and have expanded our revenue from existing customers. We intend to continue to expand our existing customer relationships and to add new customers to the extent container liner companies increase their use of chartered-in vessels to add capacity in their existing trade routes and establish new trade routes. We believe that we will benefit from the expected growth of worldwide container shipping demand, especially in certain markets that we believe have high growth potential, such as Asia, where we have strong customer relationships. We also believe that our experience in working with container liners to provide ship design, construction supervision and chartering services will improve our ability to secure new customers.

Actively Acquiring Newbuilding and Secondhand Vessels. We have increased, and intend to further increase, the size of our fleet through selective acquisitions of new and secondhand containerships that we believe will be accretive to our cash flow. We believe that entering into newbuilding contracts will continue our long-term fleet growth and provide modern vessels to our customers. In addition, we intend to continue to selectively consider any nearer-term growth opportunities to acquire high-quality secondhand vessels, primarily either with existing long-term charters or where we can enter into long-term charters concurrently with the acquisitions. We also intend to consider appropriate (a) partnering opportunities that would allow us to seek to capitalize on opportunities in the newbuilding and secondhand markets with more modest investments, and (b) business acquisitions, as well as the potential sale of any older vessels in our fleet as part of fleet renewal.

Maintaining Efficient Capital Structure. We intend to pursue a financial strategy that aims to preserve our financial flexibility and achieve a low cost of capital so that we may take advantage of acquisition and expansion opportunities in the future while also meeting our existing obligations.

An investment in the notes involves risks. Our growth depends on our ability to make accretive vessel acquisitions, expand existing and develop new relationships with charterers and obtain new charters. Substantial competition may hamper our business strategy. Our growth also depends upon continued growth in demand for containerships. A reduction in demand for containerships, increased competition or an inability to make accretive vessel acquisitions may lead to reductions and volatility in charter hire rates and profitability. In addition, we may be unable to realize expected benefits from acquisitions, and implementing our growth strategy through acquisitions may harm our business, financial condition and operating results. Before investing in the notes, you should consider carefully the factors set forth in the section of this prospectus entitled Risk Factors beginning on page S-17 of this prospectus supplement and on page 4 of the accompanying base prospectus.

Recent Developments

Newbuilding Contracts

On July 19, 2013, we entered into contracts with HHI for the construction of five 14000 TEU newbuilding containerships for an aggregate purchase price of approximately $550 million. These vessels are scheduled for delivery in 2015 and each vessel has a 10-year, fixed rate time charter with Yang Ming Marine. After the initial 10-year charter periods, Yang Ming Marine may extend the charter for each vessel for up to two additional years.

On August 22, 2013, we entered into contracts with CSBC for the construction of five additional 14000 TEU newbuilding containerships for an aggregate purchase price of approximately $550 million. These vessels are scheduled for delivery in 2016 and have a minimum time charter term of six years with Yang Ming Marine.

Under our right of first refusal agreement with GCI and Blue Water Commerce, LLC, we will retain three of the five 14000 TEU newbuilding containerships to be built at HHI and two of the five 14000 TEU newbuilding containerships to be built at CSBC. We expect to manage all ten of the newbuilding containerships.

Our commercial arrangements allow Yang Ming Marine to reduce the number of newbuilding containerships to be delivered to us and chartered to Yang Ming Marine by up to three vessels. These commercial arrangements will expire in August 2014.

On September 28, 2013, we ordered the September 2013 ROFR Vessels, which are five 10000 TEU vessels to be built by shipbuilders New Jiangsu and Jiangsu Xinfu and which are scheduled for delivery in 2015. We expect to enter into long-term charter contracts for these vessels in the near future, although there is no assurance that we will be able to do so on acceptable terms, if at all. These vessels remain subject to allocation under our right of first refusal agreement with GCI and Blue Water Commerce, LLC. As noted above, for purposes of this prospectus supplement and except as otherwise set forth herein, we have assumed that, following the allocation under the right of first refusal, we will own three vessels and GCI will own the remaining two vessels. The ultimate allocation between us and GCI may differ from our assumption.

Vessel Delivery

On July 4, 2013, we accepted delivery of the MOL Efficiency, a 2003-built 4600 TEU vessel, which is currently on charter to MOL under a two-year, fixed rate time charter.

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 one of our 14000 TEU newbuilding containerships to be chartered to Yang Ming Marine.

Carlyle Shipping-Focused Investment Vehicle

In March 2011, we invested in GCI, which intends to invest up to $900 million equity capital in containership assets, primarily newbuilding vessels strategic to the People s Republic of China, Taiwan, Hong Kong and Macau, or Greater China. We believe that the combination of our expertise and relationships in the containership market and Carlyle s financial resources, global business network and access to capital enhance our ability to take advantage of growth opportunities in the containership market.

We believe there exists significant excess capacity in Asian shipyards, and that, as a result of this excess capacity, in the near term shipyards are willing to provide pricing and design concessions for large newbuilding construction orders, although recently pricing has been increasing. The size of these orders likely exceeds the size of orders we would be able or willing to make on our own. As a result, we view our participation in GCI as a means of diversifying our capital sources and cost-effectively expanding our fleet. We believe that the combined scale of our business with GCI allows us to realize volume discounts for newbuilding orders, negotiate design improvements from shipyards and obtain more attractive vessel financing than we would otherwise be able to achieve on our own, thereby creating a competitive advantage for us. In addition, we believe we will benefit from additional operational economies of scale as we manage GCI s existing and, once delivered, newbuilding vessels.

We have a right of first refusal relating to GCI s containership investment opportunities. We believe that all such opportunities identified by Gerry Wang, our chief executive officer and the chairman of the board of managers of GCI, will run through the right of first refusal. We may exercise this right until March 31, 2015, unless it is terminated earlier as the result of certain triggering events, including if we exercise this right for more than 50% of the aggregate vessels subject to the right prior to specified dates. In addition, we have rights of first offer relating to certain containerships that GCI may propose to sell or dispose of.

GCI will invest up to $900 million equity capital in containership assets, of which we committed up to $100 million. We currently have an ownership interest in GCI of approximately 10% and, as of June 30, 2013, our funded investment in GCI totaled approximately $1.6 million. Since GCI s formation, we have ordered 31 newbuilding vessels and four existing vessels, of which 15 have been allocated to us and 15 to GCI and the five September 2013 ROFR Vessels remain subject to allocation in relation to the right of first refusal agreement with GCI. For additional information about GCI and the right of first refusal, please read Certain Relationships and Related Party Transactions Our Investment in Carlyle Containership-Focused Investment Vehicle.

Concurrent Transactions

Concurrently with this offering, we are offering, by means of a separate prospectus supplement and accompanying prospectus, 8,530,000 shares of our Class A common shares, 5,700,000 (or up to 6,555,000 if the underwriters in that concurrent offering exercise their option to purchase additional shares in full) of which are primary shares that are being offered and sold by us, 300,000 (or up to 345,000 if the underwriters in that concurrent offering exercise their option to purchase additional shares in full) of which are secondary shares that are being offered and sold by a selling shareholder, and up to 2,530,000 of which are borrowed shares that will be loaned by us to the share borrower, an affiliate of Deutsche Bank Securities Inc., an underwriter in this notes offering and the concurrent offering of our Class A common shares, in an offering registered under the Securities Act.

We will not receive any proceeds from the sale of the secondary shares or the loan of the borrowed shares in the concurrent offering, but we will receive from the share borrower a nominal lending fee for the use of the borrowed shares. We have been informed by the share borrower that it or its affiliates intend to use the short position created by the share lending agreement and the concurrent short sales of the borrowed shares to facilitate transactions by which investors in this notes offering may hedge their investments. The delivery of the notes is contingent upon the delivery of 2,530,000 borrowed shares. We expect to make delivery of such borrowed shares concurrently with the closing of this notes offering. See Description of the Share Lending Agreement and Underwriting.

The offering of the notes pursuant to this prospectus supplement and the accompanying prospectus is contingent upon the delivery of the borrowed shares under the share lending agreement and the closing of the borrowed shares offering, and the closing of the borrowed shares offering is contingent upon the closing of this notes offering. However, the concurrent offering of primary shares and secondary shares is not contingent upon the closing of either this notes offering or the concurrent offering of borrowed shares, and the closing of this notes offering and the concurrent offering of borrowed shares are not contingent upon the closing of the concurrent offering of primary shares and secondary shares.

Corporate Information

We are a Marshall Islands corporation incorporated on May 3, 2005. We maintain our principal executive offices at Unit 2, 7th Floor, Bupa Centre, 141 Connaught Road West, Hong Kong, China. Our telephone number is (852) 2540-1686. We maintain a website at *www.seaspancorp.com*. The information on our website is not part of this prospectus, and you should rely only on the information contained in this prospectus and the documents we incorporate by reference herein when making a decision as to whether to invest in our Class A common shares. Our agent for service of process is Puglisi & Associates, located at 850 Library Avenue, Suite 204, Newark, Delaware 19711.

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THE OFFERING

The following is a summary of the terms of the notes. For a more complete description, you should read the Description of Notes of this prospectus supplement and the accompanying prospectus. In this section, references to we, our or us refer to Seaspan Corporation and not to any of its subsidiaries.

Issuer	Seaspan Corporation, a corporation organized and existing under the laws of the Republic of the Marshall Islands.
Notes Offered	$125,000,000 aggregate principal amount of % Convertible Senior Notes due October 15, 2018 (*plus* up to an additional $18,750,000 principal amount solely to cover over-allotments).
Use of Proceeds	We estimate that the net proceeds from this offering, after deducting estimated expenses payable by us and the underwriters discount, will be approximately $120.8 million (or $139.0 million if the underwriters exercise their over-allotment option in full). We intend to use the net proceeds from this offering for general corporate purposes, which may include funding vessel acquisitions.
Maturity	October 15, 2018, unless earlier purchased or converted.
Interest Rate and Payment Dates	% per year on the principal amount of the notes. Interest will accrue from October , 2018 and will be payable semiannually in arrears on April 15 and October 15 of each year, beginning on April 15, 2014. We will pay additional interest, if any, at our election as the sole remedy relating to the failure to comply with our reporting obligations as described under Description of Notes Events of Default.
Ranking	The notes will be our senior unsecured obligations and will rank: senior in right of payment to our future indebtedness that is expressly subordinated in right of payment to the notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior to our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries.

	As of June 30, 2013, our total consolidated indebtedness, including our other long-term liabilities, was approximately $3.7 billion, of which approximately $0.8 billion was indebtedness of our subsidiaries and approximately $3.7 billion was secured indebtedness. After giving effect to the issuance of the notes (assuming no exercise of the underwriters over-allotment option) and the use of net proceeds therefrom, our total consolidated indebtedness would have been approximately $3.8 billion.
No Redemption	We may not redeem the notes prior to the stated maturity date. No sinking fund is provided for the notes.
Conversion of Notes	Holders may surrender their notes for conversion at any time prior to the close of business on the business day immediately preceding April 15, 2018 only under the following circumstances: during any calendar quarter commencing after the calendar quarter ending on December 31, 2013, if the closing sale price of our Class A common shares, for at least 20 trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter immediately preceding the calendar quarter in which the conversion occurs, is more than 120% of the applicable conversion price of the notes in effect on each applicable trading day; during the ten consecutive trading-day period following any five consecutive trading-day period in which the trading price for the notes for each such trading day was less than 98% of the closing sale price of our Class A common shares on such date *multiplied by* the applicable conversion rate; or upon the occurrence of specified corporate events described under Description of Notes Conversion of Notes Conversion upon Specified Corporate Transactions. On or after April 15, 2018 until the close of business on the business day immediately preceding the stated maturity date, holders may surrender their notes for conversion regardless of the foregoing circumstances. The initial conversion rate for the notes will be Class A common shares for each $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $ per Class A common share). Upon conversion, we will pay or deliver, as the case may be, cash, our Class A common shares or a combination of cash

	and our Class A common shares, at our election. If we satisfy our conversion obligation in solely cash or a combination of cash and our Class A common shares, the amount of cash and Class A common shares, if any, due upon conversion will be based on a daily conversion value (as described herein) for each trading day in a 40 trading-day conversion period (as described herein). See Description of Notes Conversion of Notes Settlement upon Conversion.
Holders will not receive any additional cash payment or additional Class A common shares representing accrued and unpaid interest, if any, upon conversion of a note, except in limited circumstances. Instead, interest will be deemed to be paid by the consideration delivered to you upon conversion of a note.	
	The conversion rate for the notes is subject to adjustment as described under Description of Notes Conversion of Notes Conversion Rate Adjustments and Adjustment to Conversion Rate upon Conversion upon a Make-Whole Adjustment Event. An adjustment to the conversion rate will result in a corresponding (but inverse) adjustment to the conversion price.
Adjustment to Conversion Rate upon Conversion upon a Make-Whole Adjustment Event	If certain corporate events as described under Description of Notes Adjustment to Conversion Rate upon Conversion upon a Make-Whole Adjustment Event occur at any time prior to the stated maturity date, each of which we refer to as a make-whole adjustment event, the conversion rate for any notes converted in connection with such make-whole adjustment event will, in certain circumstances, be increased by a number of additional Class A common shares. A description of how the number of additional shares will be determined and a table showing the number of additional Class A common shares, if any, by which the conversion rate will be increased in connection with a make-whole adjustment event is set forth under Description of Notes Adjustment to Conversion Rate upon Conversion upon a Make-Whole Adjustment Event.
Purchase of Notes at Your Option upon a Fundamental Change	Holders may require us to purchase for cash all or any portion of their notes upon the occurrence of a fundamental change at the fundamental change purchase price equal to 100% of the principal amount of the notes being purchased, *plus* accrued and unpaid interest to, but excluding, the fundamental change purchase date. For the

	definition of fundamental change and related information, see Description of Notes Purchase of Notes at Your Option upon a Fundamental Change.
Additional Amounts	All payments and deliveries made by, or on behalf of, us or any successor to us under or with respect to the notes, including, but not limited to, payments of principal (including, if applicable, the fundamental change purchase price), payments of interest and payments or deliveries, as the case may be, of cash, our Class A common shares or a combination of cash and our Class A common shares upon conversion, will be made without withholding or deduction, unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required by certain jurisdictions, we will pay such additional amounts as may be necessary to ensure that the net amount received by the holder after such withholding or deduction (and after deducting any taxes on the additional amounts) will equal the amounts that would have been received by such holder had no such withholding or deduction been required, subject to certain exceptions. See Description of Notes Additional Amounts.
Trading	We do not intend to apply to list the notes on any securities exchange or for inclusion of the notes on any automated dealer quotation system. Our Class A common shares are listed on The New York Stock Exchange under the symbol SSW.
Certain United States Federal Income Tax Considerations	You should consult your tax advisor with respect to the United States federal income tax consequences of owning the notes and any Class A common shares into which the notes may be converted in light of your own particular situation and with respect to any tax consequences arising under the laws of any state, local, foreign or other taxing jurisdiction. See Certain United States Federal Income Tax Considerations.
Trustee, Paying Agent and Conversion Agent	The Bank of New York Mellon
Book-Entry Form	The notes will be issued in book-entry form and will be represented by global certificates deposited with, or on behalf of, The Depository Trust Company (DTC) and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained

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	by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.
Governing Law	The indenture provides that it and the notes, and any claim, controversy or dispute arising under or related to the indenture or the notes, will be governed by and construed in accordance with the laws of the State of New York.
Concurrent Class A Common Shares Offering	Concurrently with this offering of notes, we are offering, by means of a separate prospectus supplement:
	6,000,000 of our Class A common shares, 5,700,000 of which (or up to 6,555,000 if the underwriters in that concurrent offering exercise their option to purchase additional shares in full) (the primary shares) are to be sold by us, 300,000 of which (or up to 345,000 if the underwriters in that concurrent offering exercise their option to purchase additional shares in full) (the secondary shares) are to be sold by a selling shareholder; and
	up to 2,530,000 of our Class A common shares (the borrowed shares) to be loaned by us to Deutsche Bank AG, London Branch (the share borrower), an affiliate of Deutsche Bank Securities Inc., an underwriter in this notes offering and the concurrent offering of our Class A common shares.
	The closing of this notes offering and the concurrent offering of borrowed shares are each contingent upon the other. However, the closing of the concurrent offering of primary shares and secondary shares is not contingent upon the closing of either this notes offering or the offering of borrowed shares, and the closing of this notes offering and the concurrent offering of borrowed shares are not contingent upon the closing of the offering of primary shares and secondary shares. See Description of Share Lending Agreement and Underwriting in this prospectus supplement.
	We have been informed by the share borrower that it or its affiliates intend to use the short position created by the share lending agreement and the concurrent short sales of the borrowed shares to facilitate transactions by which investors in this notes offering may hedge their investments. We will not receive any proceeds from the sale of the borrowed shares by the share borrower or its affiliates, but we will receive from the share borrower a nominal lending fee for the use of those shares.

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Risk Factors	See the information under the caption Risk Factors in this prospectus supplement beginning on page S-17 and the other information contained or incorporated by reference in this prospectus supplement for a discussion of factors you should carefully consider before deciding to invest in the notes.

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SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

The following table presents, in each case for the periods and as at the dates indicated, our summary historical financial and operating data.

The summary historical consolidated financial and operating data has been prepared on the following basis:

- The historical consolidated financial and operating data as at December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010 is derived from our audited consolidated financial statements and the notes thereto, which are contained in our Annual Report on Form 20-F for the year ended December 31, 2012, filed with the Securities and Exchange Commission, or the SEC, on March 19, 2013 and incorporated by reference into this prospectus.

- The historical consolidated financial data as at December 31, 2010 is derived from our audited consolidated financial statements and the notes thereto, which are contained in our Annual Report on Form 20-F for the year ended December 31, 2011, filed with the SEC on March 26, 2012.

- The historical consolidated financial and operating data as at and for the six months ended June 30, 2013 and 2012 is derived from our unaudited interim consolidated financial statements and the notes thereto, which are contained in our Reports on Form 6-K filed with the SEC on August 6, 2012 and August 1, 2013, and incorporated by reference into this prospectus.

The following table should be read together with, and is qualified in its entirety by reference to, our financial statements and the notes thereto incorporated by reference into this prospectus, as well as the notes to the table in the section of this prospectus entitled Selected Historical Consolidated Financial and Operating Data. Certain information has been reclassified to conform with the financial statement presentation adopted in 2012.

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	2010	2011	2012	2012	2013
Statements of operations data (in thousands of dollars):					
Revenue	$ 407,211	$ 565,610	$ 660,794	$ 321,069	$ 332,710
Operating expenses:					
Ship operating	108,098	135,696	138,655	66,065	74,890
Depreciation and amortization	101,026	140,354	165,541	80,215	85,593
General and administrative	9,612	16,818	24,617	12,521	19,624
Operating lease			3,145		2,183
(Gain) loss on vessels		16,237	(9,773)	(9,773)	
Operating earnings	188,475	256,505	338,609	172,041	150,420
Other expenses (income):					
Interest expense	28,801	50,849	71,996	36,132	30,759
Interest income	(60)	(854)	(1,190)	(629)	(787)
Undrawn credit facility fee	4,515	4,282	1,516	1,203	1,145
Amortization of deferred charges	1,933	3,421	8,574	3,766	4,376
Change in fair value of financial instruments(1)	241,033	281,027	135,998	86,760	(68,527)
Equity loss on investment		1,180	259	134	69
Other expenses			151	166	625
Net earnings (loss)	$ (87,747)	$ (83,400)	$ 121,305	$ 44,509	$ 182,760
Earnings (loss) per share:					
Class A common share, basic	$ (1.70)	$ (2.04)	$ 0.84	$ 0.17	$ 2.24
Class A common share, diluted	(1.70)	(2.04)	0.81	0.17	1.88
Statements of cash flows data (in thousands of dollars):					
Cash flows provided by (used in):					
Operating activities	$ 153,587	$ 239,864	$ 311,183	$ 141,954	$ 135,844
Financing activities	529,680	832,293	(181,364)	(139,858)	(98,280)
Investing activities(2)	(782,448)	(625,253)	(229,564)	(153,808)	(164,378)
Selected balance sheet data (at period end, in thousands of dollars):					
Cash and cash equivalents(2)	$ 34,219	$ 481,123	$ 381,378	$ 329,411	$ 254,564
Current assets(2)	46,764	519,998	463,930	394,737	394,109
Vessels(3)	4,210,872	4,697,249	4,863,273	4,899,016	4,902,914
Total assets	4,377,228	5,447,716	5,650,853	5,574,067	5,658,056
Long-term debt	2,396,771	2,995,729	3,090,944	3,122,710	3,093,358
Share capital(4)	691	838	804	772	817
Total shareholders equity	989,736	1,183,425	1,218,567	1,102,877	1,378,013
Other data:					
Number of vessels in operation at period end	55	65	69	69	70
TEU capacity at period end	265,300	352,700	405,100	405,100	409,700
Fleet utilization rate(5)	98.7%	99.3%	98.9%	99.2%	97.5%

(1) All of our interest rate swap agreements and swaption agreements are marked to market and the changes in the fair value of these instruments are recorded in earnings.

(2) The balance sheet and cash flow data for 2012 and for the six months ended June 30, 2012 has been recast to separately present balances of and movement in restricted cash, included in other assets, from cash and cash equivalents. This reclassification, which is immaterial, had no impact on the consolidated statement of operations data.

(3) Vessel amounts include the net book value of vessels in operation and deposits on vessels under construction.
(4) For a description of our capital stock, please read Description of Capital Stock.
(5) Fleet utilization is based on number of operating days divided by the number of ownership days during the period.

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RISK FACTORS

Any investment in the notes involves a high degree of risk. You should consider carefully the information contained in this prospectus supplement, the accompanying base prospectus and the documents incorporated by reference into this document before making an investment in the notes. If any of these risks were to occur, our business, financial condition or operating results could be harmed, which may lower the trading price of the notes. You may lose all or part of your investment. In addition, we are subject to the following risks and uncertainties:

Risks Related to the Notes

The notes are unsecured and effectively subordinated to our secured debt and any liabilities of our subsidiaries.

The notes will rank senior in right of payment to our future indebtedness that is expressly subordinated in right of payment to the notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior to our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries. In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure debt ranking senior or equal in right of payment to the notes will be available to pay obligations on the notes only after the secured debt has been repaid in full. There may not be sufficient assets remaining to pay amounts due on any or all of the notes then outstanding. The indenture governing the notes will not prohibit us from incurring additional senior debt or secured debt, nor will it prohibit any of our subsidiaries from incurring additional liabilities.

As of June 30, 2013, our total consolidated indebtedness, including our other long-term liabilities, was approximately $3.7 billion, of which an aggregate of approximately $0.8 billion was indebtedness of our subsidiaries and approximately $3.7 billion was secured indebtedness. The notes will not be guaranteed by any of our subsidiaries. After giving effect to the issuance of the notes (assuming no exercise of the underwriters over-allotment option) and the use of net proceeds therefrom, our total consolidated indebtedness would have been approximately $3.8 billion.

The notes are our obligations only, and a significant portion of our operations are conducted through, and a significant portion of our consolidated assets are held by, our subsidiaries.

The notes are our obligations exclusively and are not guaranteed by any of our operating subsidiaries. A substantial portion of our consolidated assets are held by our subsidiaries. Accordingly, our ability to service our debt, including the notes, depends on the results of operations of our subsidiaries and upon the ability of such subsidiaries to provide us with cash, whether in the form of dividends, loans or otherwise, to pay amounts due on our obligations, including the notes. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to make payments on the notes or to make any funds available for that purpose. In addition, dividends, loans or other distributions to us from such subsidiaries may be subject to contractual and other restrictions and are subject to other business considerations.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our debt.

Our ability to make scheduled payments of the principal of, to pay interest on, to pay any cash due upon conversion of or to refinance our indebtedness, including the notes, depends on

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our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Recent regulatory actions may adversely affect the trading price and liquidity of the notes.

We expect that investors in, and potential purchasers of, the notes may employ, or seek to employ, an arbitrage strategy with respect to the notes. Investors that employ an arbitrage strategy with respect to the notes typically implement that strategy by selling short our Class A common shares underlying the notes and dynamically adjusting their short position while they hold the notes. Investors may also implement this hedging strategy by entering into swaps on our Class A common shares in lieu of or in addition to short selling our Class A common shares.

The Securities and Exchange Commission (SEC) and other regulatory and self-regulatory authorities have implemented various rules and may adopt additional rules in the future that may impact those engaging in short selling activity involving equity securities (including our Class A common shares), including Rule 201 of SEC regulation SHO, the Financial Industry Regulatory Authority, Inc. s Limit Up-Limit Down program, market-wide circuit breaker systems that halt trading of stock for certain periods following specific market declines, and rules stemming from the enactment and implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Past regulatory actions, including emergency actions or regulations, have had a significant impact on the trading prices and liquidity of equity-linked instruments. Any governmental action that similarly restricts the ability of investors in, or potential purchasers of, the notes to effect short sales of our Class A common shares could similarly adversely affect the trading price and the liquidity of the notes.

Volatility in the market price and trading volume of our Class A common shares could adversely affect the trading price of the notes.

The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies. The market price of our Class A common shares could fluctuate significantly for many reasons, including in response to the risks described in this section, elsewhere in this prospectus supplement or the documents we have incorporated by reference in this prospectus supplement or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability. A decrease in the market price of our Class A common shares would likely adversely affect the trading price of the notes. The market price of our Class A common shares could also be affected by possible sales of our Class A common shares by investors who view the notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving our Class A common shares. This trading activity could, in turn, affect the trading prices of the notes. This may result in greater volatility in the trading price of the notes than would be expected for non-convertible debt securities.

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We will continue to have the ability to incur debt after this offering; if we incur substantial additional debt, these higher levels of debt may affect our ability to pay the principal of and interest on the notes.

Despite our current debt levels, we and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, some of which may be secured debt. The indenture governing the notes does not restrict our ability to incur additional indebtedness or require us to maintain financial ratios or specified levels of net worth or liquidity. If we incur substantial additional indebtedness in the future, these higher levels of indebtedness may affect our ability to pay the principal of and interest on the notes and our creditworthiness generally.

The adjustment to the conversion rate for notes converted in connection with a make-whole adjustment event may not adequately compensate you for any lost value of your notes as a result of such transaction.

Following a make-whole adjustment event, if a holder elects to convert its notes in connection with such event, we will increase the conversion rate by an additional number of our Class A common shares upon conversion in certain circumstances. The increase in the conversion rate will be determined based on the date on which the make-whole adjustment event occurs or becomes effective and the price paid (or deemed to be paid) per Class A common share in the make-whole adjustment event, as described below under Description of Notes Adjustment to Conversion Rate upon Conversion upon a Make-Whole Adjustment Event. The adjustment to the conversion rate for notes converted in connection with a make-whole adjustment event may not adequately compensate you for any lost value of your notes as a result of such transaction. In addition, if the price paid (or deemed to be paid) per Class A common share in the make-whole adjustment event is greater than $ per share or less than $ per share (in each case, subject to adjustment), no increase in the conversion rate will be made.

Our obligation to increase the conversion rate upon the occurrence of a make-whole adjustment event could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness and equitable remedies.

We may not have the ability to raise the funds necessary to settle conversions of the notes or purchase the notes as required upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or purchase of the notes.

Following a fundamental change as described under Description of Notes Purchase of Notes at Your Option upon a Fundamental Change, holders of notes will have the right to require us to purchase their notes for cash. A fundamental change may also constitute an event of default or prepayment under, and result in the acceleration of the maturity of, our then-existing indebtedness. In addition, upon conversion of the notes, unless we settle our conversion obligation in solely our Class A common shares (other than cash in lieu of any fractional share), we will be required to make cash payments in respect of the notes being surrendered for conversion as described under Description of Notes Conversion of Notes Settlement upon Conversion. We cannot assure you that we will have sufficient financial resources, or will be able to arrange financing, to pay the fundamental change purchase price in cash with respect to any notes surrendered by holders for purchase upon a fundamental change or make cash payments upon conversions. In addition, restrictions in our then existing credit facilities or other indebtedness, if any, may not allow us to purchase the notes upon a fundamental change or make cash payments upon conversions of the notes. Our failure to purchase the notes upon a fundamental change or make cash payments upon conversions thereof when required would result in an event of default with respect to the notes which could, in turn, constitute a default under the terms of our other indebtedness, if any. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and purchase the notes or make cash payments upon conversions thereof.

Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to purchase the notes.

Upon the occurrence of a fundamental change, you have the right to require us to purchase your notes. However, the fundamental change provisions will not afford protection to holders of notes in the event of certain transactions that could adversely affect the notes. For example, transactions such as leveraged recapitalizations, refinancings, restructurings or acquisitions initiated by us would not constitute a fundamental change requiring us to repurchase the notes. In the event of any such transaction, holders of the notes would not have the right to require us to purchase their notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting holders of the notes.

Upon conversion of the notes, we currently intend to pay cash in respect of only the principal amount of the notes being converted or (if lower) the conversion value thereof, and we currently intend to settle any amounts in excess thereof in cash, our Class A common shares or a combination thereof, at our election.

We currently intend to satisfy our conversion obligation to holders by paying cash in respect of only the lesser of the principal amount of the notes being converted and the conversion value of such notes and by paying or delivering, as the case may be, cash, our Class A common shares or a combination thereof in settlement of the portion of the conversion obligation (if any) in excess of the principal amount of the notes being converted. Accordingly, upon conversion of a note, holders might not receive any Class A common shares.

The conditional conversion feature of the notes could result in your receiving less than the consideration into which the notes would otherwise be convertible.

Prior to the close of business on the business day immediately preceding April 15, 2018, you may convert your notes only if specified conditions are met. If the specific conditions for conversion are not met, you will not be able to convert your notes, and you may not be able to receive the consideration into which the notes would otherwise be convertible.

The conditional conversion feature of the notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the notes is triggered, holders of notes will be entitled to convert their notes at any time during specified periods at their option. See Description of Notes Conversion of Notes. If one or more holders elect to convert their notes, unless we satisfy our conversion obligation by delivering solely our Class A common shares (other than cash in lieu of any fractional share), we would be required to settle all or a portion of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

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The accounting method for convertible debt securities that may be settled in cash, such as the notes, is the subject of recent changes that could have a material effect on our reported financial results.

In May 2008, the Financial Accounting Standards Board, or FASB, issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options, which we refer to as ASC 470-20. Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer s economic interest cost. The effect of ASC 470-20 on the accounting for the notes is that the equity component is required to be included in the additional paid-in capital section of shareholders equity on our consolidated balance sheet and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the notes to their face amount over the term of the notes. We will report lower net income in our financial results because ASC 470-20 will require interest to include both the current period s amortization of the debt discount and the instrument s coupon interest, which could adversely affect our reported or future financial results, the market price of our Class A common shares and the trading price of the notes.

In addition, under certain circumstances, convertible debt instruments (such as the notes) that may be settled entirely or partly in cash are currently accounted for in earnings per share computations utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of Class A common shares that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the notes, then our diluted earnings per share could be adversely affected.

Future sales of our Class A common shares in the public market could lower the market price for our Class A common shares and adversely impact the trading price of the notes.

In the future, we may sell additional Class A common shares to raise capital. In addition, a substantial number of our Class A common shares is reserved for issuance upon the vesting of stock appreciation rights and upon conversion of the notes. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our Class A common shares. The issuance and sale of substantial amounts of our Class A common shares, or the perception that such issuances and sales may occur, could adversely affect the trading price of the notes and the market price of our Class A common shares and impair our ability to raise capital through the sale of additional equity securities.

The notes may not have an active market, and the price may be volatile, so you may be unable to sell your notes at the price you desire or at all.

The notes are a new issue of securities for which there is currently no active trading market. We do not assure you that a liquid market will develop for the notes, that you will be able to sell any of the notes at a particular time (if at all) or that the prices you receive if or when you sell the notes will be above their initial offering price. In addition, we do not intend to apply to list the notes on any securities exchange or for inclusion of the notes on any automated dealer quotation system. The underwriters have advised us that they intend to make a market in the notes, but they are not obligated to do so and may discontinue any market-making in the notes at any time in their sole discretion and without notice. Future trading prices of the notes on any market that may develop will depend on many factors, including our operating performance and financial condition, prevailing interest rates, the market for similar securities and general economic conditions.

Moreover, even if you are able to sell your notes, you may not receive a favorable price for your notes. Future trading prices of the notes will depend on many factors, including, among other things, prevailing interest rates, our operating results, the price of our Class A common shares and the market for similar securities. Historically, the market for convertible debt has been subject to disruptions that have caused volatility in prices. It is possible that the market for the notes will be subject to disruptions that may have a negative effect on the holders of the notes, regardless of our prospects or financial performance.

Any adverse rating of the notes may negatively affect the trading price and liquidity of the notes and the price of our Class A common shares.

We do not intend to seek a rating on the notes. However, if a rating service were to rate the notes and if the rating service were to assign the notes a rating lower than the rating expected by investors or were to lower its rating on the notes below the rating initially assigned to the notes or otherwise announce its intention to put the notes on credit watch, the trading price or liquidity of the notes and the price of our Class A common shares could decline.

The conversion rate of the notes may not be adjusted for all dilutive events.

The conversion rate of the notes is subject to adjustment for certain events, including, but not limited to, the issuance to all or substantially all holders of our Class A common shares of stock dividends, certain rights, options or warrants, capital stock, indebtedness, assets or cash, and subdivisions and combinations of our Class A common shares, and certain issuer tender or exchange offers as described under Description of Notes Conversion of Notes Conversion Rate Adjustments. However, the conversion rate will not be adjusted for other events, such as a third-party tender or exchange offer or an issuance of Class A common shares for cash, that may adversely affect the trading price of the notes or our Class A common shares. An event that adversely affects the value of the notes may occur, and that event may not result in an adjustment to the conversion rate.

The notes are not protected by restrictive covenants.

The indenture governing the notes will not contain any financial or operating covenants or restrictions on the payment of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. The indenture will not contain covenants or other provisions to afford protection to holders of the notes in the event of a fundamental change except as described under Description of Notes Purchase of Notes at Your Option upon a Fundamental Change and Adjustment to Conversion Rate upon Conversion upon a Make-Whole Adjustment Event. We could engage in many types of transactions, such as acquisitions, refinancings or recapitalizations, that could substantially affect our capital structure and the value of the notes and our Class A common shares but may not constitute a fundamental change that permits holders to require us to purchase their notes or a make-whole adjustment event that would require an increase in the conversion rate for

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notes converted in connection therewith. For these reasons, you should not consider the covenants in the indenture or the fundamental change purchase and make-whole adjustment features of the notes as significant factors in evaluating whether to invest in the notes.

To the extent we issue our Class A common shares to satisfy all or a portion of our conversion obligation, conversions of the notes will dilute the ownership interest of our existing shareholders, including holders who had previously converted their notes.

AMR CASM Excluding Fuel and Special Items
9.38 10.40 9.39 9.69 9.31
Actual
Forecast
Jan
Feb
Mar
1Q10 2010
Cents

AA CASM	12.92	13.44	12.59	12.96	12.63
Special Items CASM	0.42	-	-	0.14	0.03
AA CASM Excluding Special Items	12.50	13.44	12.59	12.82	12.60
Fuel CASM	3.68	3.59	3.70	3.66	3.75
AA CASM Excluding Fuel and Special Items	8.82	9.85	8.89	9.16	8.85