

INTERPOOL INC
Form 10-K/A
November 08, 2005

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K/A

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-11862

INTERPOOL, INC.

(Exact name of registrant as specified in the charter)

DELAWARE
(State or other jurisdiction of
Incorporation or organization)

13-3467669
(I.R.S. Employer
Identification Number)

211 COLLEGE ROAD EAST, PRINCETON, NEW JERSEY 08540
(Address of principal executive office) (Zip Code)

(609) 452-8900
(Registrant's telephone number including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Name on Each Exchange on which Registered
COMMON STOCK, PAR VALUE \$.001	NEW YORK STOCK EXCHANGE
9.25% CONVERTIBLE REDEEMABLE SUBORDINATED DEBENTURES	NEW YORK STOCK EXCHANGE

**SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in the Exchange Act Rule 12b-2). Yes No

The aggregate market value of the common stock, \$.001 par value, held by non-affiliates of the registrant was approximately \$195,719,057 based upon the closing price of \$19.00 per common share as quoted on the New York Stock Exchange on October 25, 2005.

As of October 25, 2005, there were 28,494,973 shares of the registrant's common stock outstanding.

Explanatory Note

Interpool, Inc. (the "Company") is filing this Amendment No. 2 (the "Amendment No 2") to its Form 10-K for the year ended December 31, 2004, originally filed with the Securities and Exchange Commission (the "SEC") on March 30, 2005 (the "Original Filing"), as amended by Amendment No. 1 to the Original Filing, filed with the SEC on May 2, 2005 (the Original Filing, as so amended, the "2004 Form 10-K"), because, subsequent to the filing of Amendment No. 1, we determined that we had not recorded the full amount of compensation expense required by U.S. generally accepted accounting principles ("GAAP") with respect to a separation agreement with Mr. Raoul Witteveen, our former President, which was entered into in connection with Mr. Witteveen's resignation in October 2003. When originally preparing our Consolidated Financial Statements for the year ended December 31, 2003, we recorded compensation expense related to the cash separation payments we agreed to make to Mr. Witteveen. However, the separation agreement we entered into with Mr. Witteveen also contained a provision under which Mr. Witteveen's fully vested stock options, which had a five year remaining term at the time of his resignation, would instead expire two years after his resignation and therefore would not be subject to a provision of our 1993 Stock Option Plan under which vested options terminate if not exercised within ten business days after resignation. In our 2003 Consolidated Financial Statements, we should have re-measured the intrinsic value of the options (the difference between the market price of the underlying stock and the exercise price of the options) at the date of the modification and recorded the intrinsic value of the options at the modification date as additional compensation expense (non-cash) in the fourth quarter of 2003. As a result of the correction, we are recording additional compensation expense and additional paid-in capital of \$7.1 million for the year ended December 31, 2003 resulting from the option modification. In addition, we are recording a deferred tax asset of \$2.8 million for the tax benefit to be derived in the future related to the additional compensation expense. These changes have the effect of increasing stockholders' equity by \$2.8 million. These adjustments reduced net income for the year ended December 31, 2003 by approximately \$4.3 million.

In connection with our decision to correct our Consolidated Financial Statements for the option modification discussed above, we will also be correcting our 2003 and 2004 Consolidated Financial Statements for an accounting error previously disclosed in the Company's 2004 Form 10-K relating to hedge accounting that affected the Company's 2003 financial results. Because the hedge accounting error had not been considered sufficiently material to require a modification of the 2003 Consolidated Financial Statements, we recorded a non-cash adjustment to correct this error during the fourth quarter of 2004. This non-cash adjustment increased our net income for 2004 by \$0.6 million. In light of the decision to correct our 2003 Consolidated Financial Statements for the option modification, we are adjusting our 2003 and 2004 Consolidated Financial Statements to reflect the correction for the hedge accounting error.

The adjustments to properly account for these transactions are reflected in our Consolidated Financial Statements included as part of this Amendment No. 2 and are more fully discussed in Notes 1, 5, 8, 14 and 18 to the Consolidated

Financial Statements.

Because of these changes to our Consolidated Financial Statements, we are amending our 2003 and 2004 Consolidated Financial Statements as included in our 2004 Form 10-K (as previously amended) to:

Revise Item 6, "Selected Financial Data." The revisions appear in:

the Company's Income Statement Data for the year ended December 31, 2004 in the line items "Income before cumulative effect of change in accounting principle," "Income per share-Basic" and "Income per share-Diluted";

the Company's Income Statement Data for the year ended December 31, 2003 in the line items "Income before cumulative effect of change in accounting principle," "Income per share-Basic," "Income per share-Diluted" and "Weighted average shares outstanding-Diluted"; and

the Company's Balance Sheet Data as of December 31, 2004 and 2003 in the line item "Stockholders equity";

Revise Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." We have amended Item 7 as follows:

added an eighth paragraph to the untitled section before the section entitled "General";

revised the lease operating and administrative expense percentage for 2003 and the related discussion within the seventh from last paragraph of the section entitled "General";

revised net income for 2004 and 2003, net income per share for 2004 and 2003 and the related percentage comparing net income for 2004 with net income for 2003, as well as the return on average shareholders' equity for 2004 and 2003 within the fourth from the last paragraph of the section entitled "General";

revised the discussions regarding "Lease Operating and Administrative Expenses," "Fair Value Adjustment for Derivative Instruments," "Provision for Income Taxes" and "Net Income" within the sections entitled "Results of Operations, Year Ended December 31, 2004 Compared to Year Ended December 31, 2003" and "Year Ended December 31, 2003 Compared to Year Ended December 31, 2002"; and

revised the first paragraph of the section entitled "Cash Flow" due to the changes in net income for 2004 and 2003 resulting from compensation expense related to a modification of the terms for the options held by our former President which resulted in a new measurement date and the non-cash adjustment to reflect the correction for the error relating to hedge accounting.

Revise Item 8, "Financial Statements and Supplementary Data." The revisions appear in:

the Company's Consolidated Balance Sheet as of December 31, 2004 in the line items "Income taxes-deferred," "Total taxes," "Total liabilities," "Additional paid-in-capital," "Retained earnings" and "Total stockholders' equity";

the Company's Consolidated Balance Sheet as of December 31, 2003 in the line items "Income taxes-deferred," "Total taxes," "Total liabilities," "Additional paid-in capital," "Retained earnings," "Accumulated other comprehensive loss" and "Total stockholders' equity";

the Company's Consolidated Statement of Income for the year ended December 31, 2004 in the line items "Fair value adjustment for derivative instruments," "Total costs and expenses," "Income before minority interest expense and provision/(benefit) for income taxes," "Income before provision/(benefit) for income taxes," "Provision (benefit) for income taxes," "Net income," "Net income per share-Basic" and "Net income per share-Diluted";

the Company's Consolidated Statement of Income for the year ended December 31, 2003 in the line items "Lease operating expenses," "Administrative expenses," "Fair value adjustment for derivative instruments," "Total costs and expenses," "Income before minority interest expense and provision/(benefit) for income taxes," "Income before provision/(benefit) for income taxes," "Provision/(benefit) for income taxes," "Net income," "Net income per share-Basic," "Net income per share-Diluted" and "Weighted average shares outstanding-Diluted";

the Company's Consolidated Statements of Changes in Stockholders' Equity for 2004 in the line items "Net income (restated)," "Other comprehensive income (restated)" and "Balance, December 31, 2004 (restated)";

the Company's Consolidated Statements of Changes in Stockholders' Equity for 2003 in the line items "Net income (restated)," "Other comprehensive income (restated)" "Comprehensive income (restated)," "Balance, December 31, 2003 (restated)" and added the line item "Intrinsic value of option modification";

the Company's Consolidated Statement of Cash Flows for the year ended December 31, 2004 in the line items "Net income," "Provision/(benefit) for deferred income taxes" and "Fair value adjustment for derivative instruments";

the Company's Consolidated Statement of Cash Flows for the year ended December 31, 2003 in the line items "Net income," "Provision/(benefit) for deferred income taxes," "Fair value adjustment for derivative instruments" and the new line item "Option modification compensation expense"; and

the Company's Notes to Consolidated Financial Statements:

Note 1 - revising the subsections "Stock based compensation"; "Comprehensive income/(loss)," "Net income per share"; and adding a new subsection entitled "Restatement";

Note 2 - revising years 2004 and 2003 in the table detailing the components of deferred tax assets and liabilities, revising years 2004 and 2003 in the table detailing the reconciliation of the U.S. statutory tax rate to the effective tax rate and revising years 2004 and 2003 in the table detailing the components of the provisions (benefit) for income taxes;

Note 5 - revising the unrealized pre-tax income and the related income tax effect on cash flow hedges and the pre-tax income due to changes in the fair value of swap agreements which do not qualify as cash flow hedges for the years ended December 31, 2004 and 2003;

Note 8 - revising the subsection "Separation Agreements";

Note 13 - revising years 2004 and 2003 in the table entitled "Segment Information";

Note 14 - revising the tenth paragraph; and

Note 18 revising the subsection entitled "Restatement of previously reported quarterly results related to hedging transaction" and adding a new subsection entitled "Restatement of previously reported quarterly results related to the modification of a stock option award granted to the former President."

As required by SEC Rule 12b-15, set forth below in their entirety are Item 6 (Selected Financial Data), Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) and Item 8 (Financial Statements and Supplementary Data).

As part of this Amendment No. 2 the Company is also filing new certifications from our Chief Executive Officer and Chief Financial Officer (Exhibits 31.1, 31.2, 32.1 and 32.2).

No attempt has been made in this Form 10-K/A to update other disclosures presented in the 2004 Form 10-K (as previously amended), except as described above. This Form 10-K/A does not reflect events occurring after the filing of the Original Filing or modify or update those disclosures. Accordingly, this Form 10-K/A should be read in conjunction with our filings made with the SEC subsequent to the filing of the Original Filing, including any amendments to those filings.

INTERPOOL, INC.

FORM 10-K/A

TABLE OF CONTENTS

Item		Page
PART II		
ITEM 6.	SELECTED FINANCIAL DATA	7
ITEM 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	9
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	51
ITEM 15.	EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	113
	SIGNATURES	115

PART II

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected historical consolidated financial data, for the periods and at the dates indicated. This information should be read in conjunction with our historical Consolidated Financial Statements included in this Annual Report on Form 10-K/A and the notes thereto. (See Note 1B, Restatement, to the Consolidated Financial Statements for additional details of the restated amounts.)

SELECTED FINANACIAL DATA
(in thousands, except per share amounts)

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	YEAR ENDED DECEMBER 31				
	2004 ----- Restated	2003 (1) (2) ----- Restated	2002 (1) (2) (3) -----	2001 (1) (2) (4) -----	2000 -----
INCOME STATEMENT DATA:					
Equipment leasing revenue	\$388,183	\$374,287	\$325,080	\$338,718	
Depreciation and amortization of leasing equipment	\$89,458	\$87,498	\$88,707	\$79,678	
Interest expense	\$112,013	\$106,688	\$108,344	\$98,270	
Fair value adjustment for warrants	\$49,222	--	--	--	
Income before cumulative effect of change in accounting principle	\$7,869	\$37,496	\$4,389	\$28,104	
Income per share:					
Basic	\$0.29 =====	\$1.37 =====	\$0.16 =====	\$1.03 =====	
Diluted	\$0.27 =====	\$1.30 =====	\$0.15 =====	\$0.97 =====	
Weighted average shares outstanding:					
Basic	27,380	27,365	27,360	27,417	
Diluted	28,960	28,935	29,202	28,973	
Cash dividends declared per common share	\$0.25	\$0.25	\$0.2275	\$0.1925	
	2004 -----	2003 -----	2002 -----	2001 -----	2000 -----
BALANCE SHEET DATA:					
Cash and cash equivalents	\$309,458	\$141,019	\$170,613	\$103,760	
Net investment in direct financing leases	\$363,445	\$426,815	\$334,129	\$275,372	
Leasing equipment, net	\$1,579,196	\$1,636,716	\$1,557,639	\$1,335,610	\$1,335,610
Total assets	\$2,404,086	\$2,373,036	\$2,241,944	\$1,923,052	\$2,241,944
Debt and capital lease obligations	\$1,718,198	\$1,715,687	\$1,672,211	\$1,429,680	\$1,429,680
Stockholders' equity	\$397,023	\$386,477	\$336,996	\$352,072	\$352,072

- (1) As disclosed in our Quarterly Report on Form 10-Q for the nine months ended September 30, 2004, the Company uncovered an immaterial error related to financial statements not part of any current filing, which has been reported as an adjustment to opening retained earnings. For further information regarding this adjustment, see Note 1 to the Consolidated Financial Statements
- (2) Certain reclassifications have been made to the 2003, 2002, 2001 and 2000 amounts in order to conform to the 2004 presentation.
- (3) Effective June 27, 2002, our financial statements include CAI as a consolidated subsidiary. (See Note 11 to the Consolidated Financial Statements.)
- (4) As a result of adopting Statement of Financial Accounting Standards No. 145 ("SFAS 145") extraordinary gains related to the retirement of debt during the years ended December 31, 2001 and 2002, respectively, have been

reclassified into operating income on a pretax basis. Income before cumulative effect of change in accounting principle include net of tax amounts of \$558 and \$840 for years ended December 31, 2001 and 2000, respectively.

- (5) The 2000 income statement data excludes \$660 resulting from the cumulative effect of change in accounting principle. The 2000 results include earnings from the assets acquired from Transamerica ("TA"), which we acquired on October 24, 2000, with an effective date of October 1, 2000. The 2000 results include only the chassis acquired from TA as the rail trailers and domestic containers were identified as assets held for sale at the time of purchase.

ITEM. 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our historical financial condition and results of operations should be read in conjunction with the historical consolidated financial statements and the notes thereto and the other financial information appearing elsewhere in this report. *(All fleet statistics including the size of the fleet, utilization of the leasing equipment or the rental rates per day that are set forth in this Annual Report on Form 10-K include our equipment, including that portion of our equipment managed by CAI. To the extent that our equipment is managed by CAI, the equipment is considered fully utilized since it is not available for us to put on hire regardless of whether all of the units are generating equipment leasing revenue. All equipment owned by CAI or managed by CAI (with the exception of equipment owned by us and managed by CAI), is excluded from all statistics, unless otherwise indicated. In addition, all of our chassis assigned to chassis pools are considered fully utilized. This exclusion of information relative to CAI, unless indicated otherwise, provides a focus on the drivers which are critical to our core business.)*

The information in this Annual Report on Form 10-K/A contains certain "forward-looking statements" within the meaning of the securities laws. These forward-looking statements reflect the current view of the Company with respect to future events and financial performance and are subject to a number of risks and uncertainties, many of which are beyond our control. All statements other than statements of historical facts included in this report, including the statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations," regarding our strategy, future operations, financial position, estimated revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this report, the words "will," "believe," "anticipate," "intend," "estimate," "expect," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

All forward-looking statements speak only as of the date of this report. We do not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this report are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. Future economic and industry trends that could potentially impact revenues and profitability are difficult to predict.

Our Form 10-K for the year ended December 31, 2002 was filed in January 2004 and contained, among other things, restated Consolidated Financial Statements for the years ended December 31, 2001 and 2000 and the first three quarters of 2002. For additional information regarding this restatement, see Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2002 Form 10-K.

In preparation for the 2003 audit, we determined that the previously reported quarterly results for the quarters ended March 31, 2003, June 30, 2003 and September 30, 2003 required restatement. For additional information regarding this restatement, see Note 19 in our 2003 Form 10-K.

During the preparation of the third quarter of 2004 financial statements, we uncovered an immaterial error related to financial statements not part of any current filing, which has been reported as an adjustment to opening retained earnings. For further information regarding this adjustment, see Note 1 to the Consolidated Financial Statements. All financial information for 2004 and prior periods included in this Report on Form 10-K/A gives effect to the adjustment.

During the preparation of the December 31, 2004 Consolidated Financial Statements, a weakness in our documentation of certain hedging relationships was uncovered. It was determined that the previously reported quarterly results for March 31, 2004, June 30, 2004 and September 30, 2004 required restatement. For additional information regarding this restatement, see Notes 1(B) and 18 to the Consolidated Financial Statements.

During the third quarter of 2005, we determined that we had not recorded the full amount of compensation expense required by U.S. generally accepted accounting principles ("GAAP") with respect to a separation agreement with Mr. Raoul Witteveen, our former President, which was entered into in connection with Mr. Witteveen's resignation in October 2003. When originally preparing our financial statements for the year ended December 31, 2003, we recorded compensation expense related to the cash separation payments we agreed to make to Mr. Witteveen. However, the separation agreement we entered into with Mr. Witteveen also contained a provision under which Mr. Witteveen's fully vested stock options, which had a five year remaining term at the time of his resignation, would instead expire two years after his resignation and therefore would not be subject to a provision of our 1993 Stock Option Plan under which vested options terminate if not exercised within ten business days after resignation. In our 2003 Consolidated Financial Statements, we should have re-measured the intrinsic value of the options (the difference between the market price of the underlying common stock and the exercise price of the options) at the date of the modification and recorded the intrinsic value of the options as additional compensation expense (non-cash) in the fourth quarter of 2003. In connection with our decision to correct our Consolidated Financial Statements for the option modification discussed above, we are correcting our 2003 and 2004 Consolidated Financial Statements for an accounting error previously disclosed in our 2004 Form 10-K relating to hedge accounting that affected our 2003 financial results. Because the hedge accounting error had not been considered sufficiently material to require a modification of the 2003 Consolidated Financial Statements, we had previously recorded a non-cash adjustment to correct this error during the fourth quarter of 2004.

For further information regarding the restatement, see Note 1(B) to the Consolidated Financial Statements.

Certain reclassifications have been made to the 2002 and 2003 amounts in order to conform to the 2004 presentation. In addition, we determined it was necessary to change the classification of certain types of revenue which had been previously reported as a reduction to lease operating expenses. This revenue consists primarily of fees charged to lessees for handling, repositioning and repairs which had previously reduced the related costs for these services. This revenue is reported separately as other revenue on the face of our Consolidated Statements of Income. These reclassifications have no impact on net income.

General

Interpool is one of the world's leading suppliers of equipment and services to the intermodal transportation industry. We believe we are the world's largest lessor of intermodal container chassis and a world-leading lessor of international dry freight standard containers used in international trade.

Our primary sources of equipment leasing revenue are derived from operating leases and income earned on direct financing leases. We generate this revenue through leasing transportation equipment, primarily intermodal container chassis and intermodal dry freight standard containers. Operating lease equipment (operating leases) and direct financing leases are the two major asset types that generate this revenue. In the case of operating lease equipment, we retain the substantive risks and rewards of equipment ownership. In the case of direct financing leases, the lessee generally has the substantive risks and rewards of equipment ownership and the right to purchase the equipment at the

end of the lease term. This equipment leasing revenue is supplemented by other sources of revenue such as fees charged to the lessee for handling, delivery and repairs earned under contractual agreement with the lease customer. Equipment leasing revenue derived from an operating lease generally consists of the monthly lease payments from the customer. For direct financing leases, the lessee's payment is segregated into principal and interest components much like a loan. The interest component, calculated using the effective interest method over the term of the lease, is recognized by us as equipment leasing revenue. The principal component of the direct financing lease payment is reflected as a reduction to the net investment in the direct financing lease.

Our mix of operating and direct financing leases is a function of customer preference and demand and our success in meeting those customer requirements. An operating lease, during its initial lease term, will generally be more profitable than a direct financing lease, primarily due to the return of principal inherent in a direct financing lease, which is usually greater than the depreciation expense associated with an operating lease. However, after the initial term (and any renewal) of an operating lease expires, the operating lease will have redeployment costs and related risks that are avoided under a direct financing lease. In evaluating the revenue performance of our operating lease portfolio, the primary factors considered are utilization and daily rental rates.

During the year ended December 31, 2004, as compared with the year ended December 31, 2003, our equipment leasing revenues increased due to strong demand for equipment, resulting in a favorable increase in utilization rates for our chassis and continued high utilization rates for our containers. During 2004, the size of our chassis fleet was at essentially the same level as the earlier period. However, our fleet of containers decreased from 870,000 twenty-foot equivalent units ("TEU") to 808,000 TEU primarily due to the number of direct financing leases maturing being greater than the investment in new direct financing lease containers. Utilization of our container and chassis fleets (including equipment on both operating and direct financing leases) was 99% and 97%, respectively, at December 31, 2004.

Although daily rental rates for new long-term leases in our operating lease container fleet remained relatively flat during 2003, container daily lease rates on new equipment rose in 2004 and are expected to continue to increase in 2005 due to the increased demand for equipment as well as the increases in costs of new containers. However, daily rental rates for used containers are very competitive and expiring operating leases for larger contracts are sometimes renewed at daily rental rates that are lower than the rental rates in the initial lease term.

Lease rates for new chassis were essentially flat during the first half of 2004. They rose in the last half of 2004, and continue to rise thus far in 2005. Price increases for new chassis are largely driven by the increase in steel costs, but have increased at a slower rate than container costs due to the large number of sub-assemblies that make up a chassis. Many of these sub-assemblies were in inventory prior to the steel cost increases and only recently have started to rise in price. The effect of higher material costs has been tempered by the recent shift in the manufacturing base for chassis toward China, where there are significantly lower labor and overhead costs. Lease rates for used chassis remained flat during the first half of 2004, but have been rising since then. The increases are due largely to the depletion of used chassis inventories and the rising price of new and remanufactured chassis.

We anticipate that industry demand for chassis and containers will continue to be strong well into 2006. This projection is supported by the fact that all major shipyards are reporting large order backlogs through 2007. The world cellular container ship fleet is expected to increase by 13.3% in 2005, 15.2% in 2006 and 9.3% in 2007 (excluding scrapping) as reported in the November 2004 edition of *Containerisation International*. As of October 1, 2004, the total order book was for 892 ships with a total capacity of approximately 3.3 million TEU, or approximately 50% of the world cellular container ship fleet.

We believe a number of factors have contributed to the strong demand for equipment in the industry. From 2002 to 2003, according to the *Containerisation International Yearbook 2005*, global containerized traffic increased by 9.6%, from 276.6 million TEU in 2002 to 303.1 million TEU in 2003, fueling demand for transportation equipment generally. In addition, as mentioned above, several major shipping lines started to bring new, very large 8,000-9,000

TEU ships to the West Coast of the United States in the fall of 2004. When ships of this size are unloaded, they require the use of a larger number of chassis to move the containers to local railroad terminals or their final destinations. The large quantity of vessels on order will also require additional containers to support them. Demand for chassis has also been affected by the inability of large, fully loaded ships to pass through the Panama Canal. These ships typically discharge their cargo on the West Coast of the United States, with the cargo being moved by "land bridges", by truck and rail, inland and across the country, using chassis at various stages during this process. At the same time, the demand for chassis, along with increased congestion at many of the rail and marine facilities around the country, have fueled an increase in the pooling of chassis for greater efficiencies. Correspondingly, we have experienced an increase in demand for our "PoolStat"™ chassis management services as more shipping lines are entering into these chassis sharing arrangements. In addition, we have continued to experience high demand in our own Trac Lease neutral chassis pools at railroads and marine terminals.

Our container fleet (including units on hire as direct financing leases) decreased in size by 7.0% from December 31, 2003 to December 31, 2004, while our chassis fleet held at essentially the same level. We were not able to take full advantage of the strong customer demand for containers and chassis during the latter part of 2003 and the first nine months of 2004, as a result of the delay in filing our Annual Report on Form 10-K for 2002, our Quarterly and Annual Reports on Forms 10-Q and 10-K for 2003 and our Quarterly Reports on Form 10-Q for 2004 which adversely affected our ability to obtain the financing necessary for us to purchase equipment for lease to customers. In addition, the requirement to maintain certain levels of unrestricted cash continued to limit the amount of new business we have written with our customers during the first nine months of 2004. This requirement was eliminated when our revolving credit facility and one other facility were repaid in full during November 2004. We have successfully completed \$747.0 million of financings and commitments from January 1, 2004 to December 31, 2004, of which \$517.0 million is secured by equipment and leases, while the remaining \$230.0 million is unsecured debt. Of the \$517.0 million of new financings and commitments secured by equipment and leases, approximately \$333.0 million was used (1) to satisfy required payments to equipment manufacturers, (2) to finance previously unencumbered assets, (3) to re-finance existing secured debt, and (4) for other working capital requirements. This left \$184.0 million available under these facilities for future use at December 31, 2004. Of the \$230.0 million of unsecured debt, one financing for \$150.0 million was completed during September 2004, with \$49.1 million of the proceeds concurrently used to reduce existing unsecured debt. A second financing for \$80.0 million of unsecured debt was completed during November 2004. (For further discussion of these transactions, see "Debt and Capital Lease Obligations" below and Note 4 to the Consolidated Financial Statements.) In addition, our cost of new financing during 2004 was higher than we experienced in 2003, due to higher interest rates in general and increased borrowing costs resulting from the lowering of our credit ratings over the past year. The increase in interest expense during 2004 was the result of increased interest rates and bank fees paid in order to obtain waivers related to our delayed filings, offset by carrying lower debt balances as compared to the prior year period. We regularly evaluate financing proposals which, when coupled with available cash balances and funds available under commitments mentioned above, could be used for growth, for refinancing existing facilities and for working capital.

As of December 31, 2004, our commitments for future capital expenditures totaled approximately \$149.6 million with approximately \$116.7 million committed for fiscal 2005. Our available liquidity at December 31, 2004, including \$223.0 million available under credit facilities, was \$507.6 million after deducting \$24.9 million of restricted cash. Required debt repayments and capital lease payments for the next 12 months totaled \$240.6 million. Based on our existing cash balances, financings closed, and our financial projections of operating cash flow for the future, we believe that we will have sufficient liquidity to grow our portfolio while meeting our obligations and commitments as they become due.

Other than interest expense and depreciation expense on our operating lease equipment, our primary expenses are corporate administrative and lease operating expenses, which include maintenance and repair expense, as well as storage and positioning expense. Our lessees are generally responsible for lease operating expenses during the term of their lease. Our corporate administrative expenses are primarily employee related costs such as salary expense, costs of employee benefits, information technology expenses and travel and entertainment costs, as well as expenses

incurred for outside services such as legal, consulting and audit related fees. During 2004, lease operating and administrative expenses as a percentage of total revenues were 35.9%, compared to 40.7% during the same period in 2003. The additional personnel and systems enhancements we are adding to improve our internal controls, as well as additional procedures being implemented to comply with Sarbanes-Oxley requirements, have added incremental administrative expenses in 2004. During 2004, the incremental administrative expenses were offset by a reduction in legal fees resulting from the Audit Committee and SEC investigations, a reduction in storage costs resulting from an increase in fleet utilization, and a reduction in compensation expense resulting from a one time charge during 2003 for the modification of the terms of stock options held by our former President.

During 2003 and 2004, we incurred significant costs related to the investigations by our Audit Committee and the SEC, separation agreements with our former Chief Financial Officer and our former President, legal representation for the Company as well as our officers, directors and employees, the payment of fees in order to obtain necessary waivers from our financial institutions and, during 2004, the proceedings before The New York Stock Exchange to delist our securities. We will continue to incur additional costs relating to the formal investigation by the SEC and the class action lawsuit, including the cost of legal representation for the Company and our current and former officers, directors and employees.

Non-performing receivables totaled \$12.5 million at December 31, 2004 compared with \$12.8 million at December 31, 2003. Reserves of \$11.8 million and \$11.9 million, respectively, have been established against these non-performing receivables. During 2004, receivable write-offs net of recoveries totaled \$3.7 million as compared with \$1.9 million for the same period in 2003.

Our net income for the year ended December 31, 2004 was \$7.9 million as compared with \$37.5 million for the year ended December 31, 2003, a reduction of 79%. The December 31, 2004 net income included non-cash expense of \$49.2 million (for which no tax benefit is derived) resulting from the change in fair value of the warrants issued by us during September 2004 in connection with a Securities Purchase Agreement pursuant to which we sold \$150.0 million of 6.0% notes due in 2014 (See Note 4 to the Consolidated Financial Statements). In addition, our 2004 net income included an after tax gain on the settlement of an insurance litigation of \$5.2 million. Our net income per share on a fully diluted basis for the year ended December 31, 2004 and 2003 was \$0.27 and \$1.30, respectively. Annualized return on average stockholders' equity was 2.0% for the year ended December 31, 2004 compared to 10.4% for the year ended December 31, 2003. Excluding the non-cash expense for the change in the fair value of the warrants and the gain on settled insurance litigation, the annualized return on average stockholders' equity was 12.6 for the year ended December 31, 2004.

We conduct business with shipping line customers throughout the world and are therefore subject to the risks of operating in disparate political and economic conditions including those associated with increasing oil prices. Offsetting this risk is the worldwide nature of the shipping business and the ability of our shipping line customers to shift their operations from areas of unfavorable political and/or economic conditions to more promising areas. Approximately 99% of our revenues are billed and paid in U.S. dollars. We believe these factors substantially mitigate foreign currency rate risks.

Our container leasing operations are primarily conducted through our subsidiary, Interpool Limited, a Barbados corporation, as well as through CAI, our consolidated 50% owned subsidiary. Our effective tax rate benefits substantially from the application of an income tax convention, pursuant to which the profits of Interpool Limited from international container leasing operations are exempt from federal taxation in the United States. As discussed below, these profits are subject to Barbados tax at rates that are significantly lower than the applicable rates in the United States. For further information regarding the United States and Barbados Tax Treaty and the recently-enacted Protocol to this Treaty, see Note 2 to the Consolidated Financial Statements and the "United States Federal Income Tax" section of Management's Discussion and Analysis in this Form 10-K/A.

The sections that follow analyze our results of operations by financial statement caption and provide a more detailed discussion of our performance for the year ended December 31, 2004 as compared to December 31, 2003 and for the year ended December 31, 2003 compared to the year ended December 31, 2002.

Results of Operations

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Equipment Leasing Revenue. Our equipment leasing revenues increased to \$388.2 million for the year ended December 31, 2004, from \$374.3 million in the year ended December 31, 2003, an increase of \$13.9 million or 4%.

Container leasing segment revenues increased to \$181.5 million for the year ended December 31, 2004, from \$175.1 million in the year ended December 31, 2003, an increase of \$6.4 million or 4%. The increase was primarily attributable to an increase in container operating lease revenues of \$9.4 million, partially offset by a decrease in direct financing lease revenues of \$3.1 million. The incremental container operating lease revenues, as compared to the prior year period, are primarily due to our container operating lease fleet which increased in size by 7%. The daily rental rates for the overall container fleet were lower, partially offsetting the incremental revenue resulting from the increased average size of our container operating lease fleet. Utilization rates of our container fleet have historically been calculated assuming containers managed by CAI were 100% utilized since they were not available to us to put on hire regardless of whether all of these units are generating revenue. Under this method, utilization rates of our container operating lease fleet were 99% at December 31, 2004 and 2003. The utilization rates of our operating lease container fleet, considering CAI's actual utilization rates for our operating lease containers managed by CAI, were 96% and 94% at December 31, 2004 and 2003, respectively.

Domestic intermodal equipment segment revenues increased to \$206.7 million for the year ended December 31, 2004, from \$198.5 million in the year ended December 31, 2003, an increase of \$8.2 million or 4%. The increase was attributable to an increase in chassis operating lease revenues of \$9.4 million, partially offset by a decrease in direct financing lease revenues of \$1.2 million. The incremental chassis operating lease revenues are primarily due to an increase in the utilization and daily rental rates for our chassis fleet as compared to the prior year period. The utilization rates of our domestic intermodal chassis operating lease fleet were 97% and 96% at December 31, 2004 and 2003, respectively.

Computer leasing equipment segment revenues decreased \$0.6 million as compared to the prior year period due to the liquidation of the computer leasing segment which was completed during the first quarter of 2004.

Other Revenue. Our other revenues decreased to \$16.2 million for the year ended December 31, 2004, from \$27.8 million in the year ended December 31, 2003, a decrease of \$11.6 million or 42%.

Container leasing segment other revenues decreased to \$8.7 million for the year ended December 31, 2004, from \$11.8 million in the year ended December 31, 2003, a decrease of \$3.1 million or 26%. The decrease was primarily attributable to a decrease in container positioning revenue of \$2.0 million as well as a reduction in billable repairs to our lessees at the termination of a lease of \$1.2 million.

Domestic intermodal equipment segment other revenues decreased to \$7.5 million for the year ended December 31, 2004, from \$16.0 million in the year ended December 31, 2003, a decrease of \$8.5 million or 53%. The decrease was primarily attributable to a reduction in billable services for positioning of equipment provided to the United States military of \$4.0 million and a reduction in billable repairs to our lessees at the termination of a lease of \$4.4 million.

Lease Operating and Administrative Expenses. Our lease operating and administrative expenses decreased to \$145.3 million for the year ended December 31, 2004 from \$163.5 million in the year ended December 31, 2003, a decrease of \$18.2 million or 11%.

The decrease was primarily due to:

A decrease in storage costs of \$4.7 million primarily due to increased utilization experienced within CAI's container fleet as well as within the domestic intermodal chassis product line.

A decrease of \$2.7 million in positioning and handling expenses, primarily due to a reduction in services incurred for the United States military.

A decrease in maintenance and repair costs of \$2.6 million primarily due to a decrease in repairs of equipment for both the chassis and container product lines.

A decrease in legal and consulting fees of \$2.0 million primarily due to a reduction in legal fees related to the Audit Committee and SEC investigations in 2003 and the class action lawsuit, partially offset by increased consulting services.

A decrease in commission expense of \$1.1 million primarily due to the write-off of deferred sales commissions in the prior year period, as well as an overall reduction in agency commissions.

An increase in foreign exchange gains of \$1.1 million primarily due to the effects of foreign currency fluctuations.

A decrease in travel and entertainment expense of \$0.7 million primarily due to reduced executive travel incurred within the container leasing segment.

A decrease in compensation related expense of \$3.2 million primarily due to \$12.9 million recorded in 2003 related to separation agreements with our former Chief Financial Officer who resigned in July 2003 and our former President who resigned in October 2003. These costs included a \$7.1 million charge related to the modification of the options held by our former President. This reduction due to the separation agreements was largely offset by an increase in headcount and other employee related costs.

A further breakdown of the lease operating and administrative expense variances, as compared to the prior period, by reportable segment is as follows:

Container leasing segment lease operating and administrative expenses decreased to \$46.7 million for the year ended December 31, 2004 from \$54.2 million in the year ended December 31, 2003, a decrease of \$7.5 million or 14%. This decrease can be summarized as follows:

(Dollars in millions)	Container Leasing
-----	-----
Storage expense	\$ (3.9)
Legal and consulting fees	(1.7)
Commissions expense	(1.1)
Exchange	(1.1)
Maintenance and repairs expense	(0.8)
Travel and entertainment expense	(0.7)
Positioning and handling expense	(0.5)
Compensation related expense	3.0
Other, net	(0.7)

Total	\$ (7.5)
	=====

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Domestic intermodal equipment segment lease operating and administrative expenses decreased to \$98.6 million for the year ended December 31, 2004 from \$109.2 in the year ended December 31, 2003, a decrease of \$10.6 million or 10%. This decrease can be summarized as follows:

(Dollars in millions)	Domestic Intermodal Equipment
-----	-----
Compensation related expense	\$ (6.2)
Positioning and handling expense	(2.2)
Maintenance and repairs expense	(1.8)
Storage expense	(0.8)
Legal and consulting fees	(0.3)
Other, net	0.7

Total	\$ (10.6)
	=====

During 2003 and 2004, we incurred significant costs related to the investigations by our Audit Committee and the SEC, separation agreements with our former Chief Financial Officer and our former President, legal representation for the Company as well as our officers, directors and employees, the payment of fees in order to obtain necessary waivers from our financial institutions and, during 2004, the proceedings before The New York Stock Exchange to delist our securities. We will continue to incur additional costs relating to the formal investigation by the SEC and the class action lawsuit including the cost of legal representation for the Company and our current and former officers, directors and employees. The costs incurred during 2003 and 2004 are as follows:

(Dollars in millions):	Year Ended December 31, 2003	Year Ended December 31, 2004
-----	-----	-----
Audit fees for the reaudits and restatements	\$3.6	\$0.5
Cost of investigations	5.9	0.2
Legal and consulting fees	3.2	2.4
Separation agreements	13.0	0.3
Bank waiver fees	1.6	2.5
	---	---
Amounts before tax	\$27.3	\$5.9
	=====	=====
Amounts net of tax	\$17.2	\$4.0
	=====	=====

Provision for Doubtful Accounts. Our provision for doubtful accounts decreased to \$1.5 million for the year ended December 31, 2004 from \$4.2 million for the year ended December 31, 2003. The decrease was primarily attributable to an improvement in the risk profile of our outstanding receivables, partially offset by the reversal during the prior year period of bad debt provisions previously recorded by Microtech, without a similar reversal of bad debt provisions during the current year period (\$0.4 million). During the year ended December 31, 2004, our non-performing receivables decreased \$0.3 million (\$12.5 million at December 31, 2004 and \$12.8 million at December 31, 2003). As of December 31, 2004 and December 31, 2003, our non-performing receivables, net of applicable reserves, were 1.01% and 1.27%, respectively, of accounts receivable, net. Our provision for doubtful accounts is provided based upon a quarterly review of the receivables. This review is based on the risk profile of the receivables, credit quality indicators such as the level of past-due amounts and economic conditions, as well as the value of underlying collateral in the case of direct financing lease receivables.

Fair Value Adjustment for Derivative Instruments. Our non-cash fair value adjustment for derivative instruments income amounted to \$1.5 million for the year ended December 31, 2004 as compared to income of \$1.8 million for the year ended December 31, 2003. The income for the year ended December 31, 2004, as well as the prior year period, was primarily due to the change in fair value of interest rate swap agreements held which do not qualify as cash flow hedges.

Fair Value Adjustment for Warrants. Our non-cash fair value adjustment for warrants expense amounted to \$49.2 million for the quarter and year ended December 31, 2004, without a similar item in the prior year period. The expense for the year ended December 31, 2004 was due to the change in the fair value of the Warrants issued during September 2004 in connection with the 6.0% Notes, which Warrants are classified as a liability on the accompanying Consolidated Balance Sheets. Due primarily to the increase in the market value of our common stock during the last quarter of 2004, the fair market value of these Warrants increased from \$22.5 million at September 30, 2004 to \$71.7 million at December 31, 2004. For the period of time that these Warrants are classified as a liability, any further increase in the fair market value of the Warrants will result in an additional non-cash expense to the Consolidated Statements of Income. If the fair market value of the Warrants decreases in the future, we will record non-cash income in our Consolidated Statements of Income. Accordingly, future changes to the fair market value of these Warrants have the potential to cause volatility in our future results.

Depreciation and Amortization of Leasing Equipment. Our depreciation and amortization expenses increased to \$89.5 million for the year ended December 31, 2004, from \$87.5 million for the year ended December 31, 2003, an increase of \$2.0 million or 2%. This increase was primarily due to additions to our operating lease fleet.

Impairment of Leasing Equipment. Our impairment of leasing equipment expense decreased to \$4.6 million for year ended December 31, 2004, from \$9.0 million for the year ended December 31, 2003, a decrease of \$4.4 million. This decrease was primarily due to a reduction in impairment losses related to damaged equipment that was subsequently remanufactured (\$3.0 million), and a decrease in impairment losses for idle equipment (\$1.5 million).

(Income)/Loss for Investments Accounted for Under the Equity Method. The increase in (income)/loss for investments accounted for under the equity method of \$2.1 million during the year ended December 31, 2004 resulted primarily from improved earnings for certain investments accounted for under the equity method.

Gain on Insurance Settlement. During the year ended December 31, 2004, we signed an agreement settling the lawsuit and claims under our insurance policy related to the default of a South Korean Customer. In connection with this settlement, we recognized a pre-tax gain of \$6.3 million related to the \$26.4 million settlement of the claim during the three months ended June 30, 2004. (See Note 16 Settled Insurance Litigation).

Other (Income)/Expense, Net. We had other income of \$15.7 million during the year ended December 31, 2004 compared to \$5.1 million of other income for the year ended December 31, 2003. The increase of \$10.6 million was primarily due to:

An increase in gains on equipment sales of \$13.7 million, including an increase of \$10.4 million in gains on equipment sales to third parties recognized by CAI. The increase in gains on equipment sales recognized by CAI was due to an increase in volume, as well as an increase in the returns generated on the equipment sales due to the favorable market conditions within the container resale sector. In addition, during the fourth quarter of 2004, we sold certain assets of CTC Container Trading (U.K.) Limited, a wholly-owned subsidiary which leased specialized cargo carrying units and other equipment for use by companies operating in the North Sea, which resulted in a pre-tax profit of approximately \$0.9 million. The remainder of the increase in gains on equipment sales was primarily due to the favorable market conditions we experienced in the resale sector for containers as compared to the prior year period, as well as sales of certain railcars which contributed favorably to profits on equipment sales.

A \$2.9 million gain recorded in October 2003 resulting from the consolidation of assets and liabilities of a special purpose entity (which no longer qualified for off-balance sheet treatment for accounting purposes) formed as part of our container lease securitization program. This gain resulted primarily from the favorable credit loss experience through September 30, 2003 on the underlying direct financing leases as compared to the assumed credit losses of 1.5%. See Note 7 to the Consolidated Financial Statements for further discussion of the accounting for this special purpose entity.

Interest Expense. Our interest expense increased to \$112.0 million in the year ended December 31, 2004 from \$106.7 million in the year ended December 31, 2003, an increase of \$5.3 million or 5%. The increase in interest expense was primarily attributable to an increase in amortization of deferred financing fees of \$2.8 million, increased interest rates resulting in increased interest expense of \$2.6 million and an increase of \$0.9 million for bank fees in order to obtain waivers related to our delayed filings. These increases were partially offset by reduced borrowings resulting in a reduction in interest expense of \$1.0 million.

Interest Income. Our interest income decreased to \$3.4 million in the year ended December 31, 2004 from \$4.0 million in the year ended December 30, 2003, a decrease of \$0.6 million or 15%. The decrease in interest income was primarily due to reduced earnings on invested cash balances due to lower interest rates, partially offset by an increase in average invested balance.

Minority Interest Expense, Net. The change in minority interest expense, net of \$6.5 million for the year ended December 30, 2004 as compared to the prior year was primarily due to a \$13.5 million increase in net income reported by our 50%-owned consolidated subsidiary, CAI.

Provision for Income Taxes. We recorded an income tax provision of \$13.4 million for the year ended December 31, 2004 as compared to \$0.8 million for the year ended December 31, 2003. This increase was principally caused by an increase in taxable income of \$32.2 million as adjusted for the \$49.2 million permanent tax difference that arose from the non-cash expense pertaining to the Warrant liability. In addition, a larger proportion of taxable income was generated from United States sources as compared to lower-taxed international source income.

Interpool Limited's pre-tax income (international sourced income) is taxed at a low rate (approximately 3%) due to the income tax convention between the United States and Barbados. The domestic intermodal division's pre-tax income (United States sourced income), including corporate activities and the results of operations of CAI, is taxed at the higher United States tax rates. During the year ended December 31, 2004, 35% of taxable income was generated from United States sources as compared to a loss experienced during the year ended December 31, 2003, thus contributing to the increase in the provision for income taxes.

Net Income. As a result of the factors described above, our net income decreased to \$7.9 million in the year ended December 31, 2004 from \$37.5 million in the year ended December 31, 2003.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Equipment Leasing Revenue. Our equipment leasing revenues increased to \$374.3 million for the year ended December 31, 2003, from \$325.1 million in the year ended December 31, 2002, an increase of \$49.2 million or 15%.

Container leasing segment revenues increased to \$175.1 million for the year ended December 31, 2003, from \$138.3 million in the year ended December 31, 2002, an increase of \$36.8 million or 27%. The increase was attributable to \$17.1 million of incremental leasing revenues as a result of consolidating the activities of CAI for a full year in 2003 as compared to approximately six months in 2002. In addition, container operating lease revenues increased \$10.1 million and direct financing lease revenues increased \$9.6 million. The incremental container operating lease revenues are primarily due to our container operating lease fleet which increased in size by 11% and an increase in the

utilization rates for our containers as compared to the prior year period. The daily rental rates for containers were relatively flat as compared to the prior year period. Utilization rates of our container fleet have historically been calculated assuming containers managed by CAI were 100% utilized since they were not available to us to put on hire regardless of whether all of these units are generating revenue. Under this method, utilization rates of our container operating lease fleet were 99% and 98% at December 31, 2003 and 2002, respectively. The utilization rates of our operating lease container fleet, considering CAI's actual utilization rates for our operating lease containers managed by CAI, were 94% and 92% at December 31, 2003 and 2002, respectively.

Domestic intermodal equipment segment revenues increased to \$198.5 million for the year ended December 31, 2003, from \$185.3 million in the year ended December 31, 2002, an increase of \$13.2 million or 7%. The increase was attributable to an increase in chassis operating lease revenues of \$12.4 million and direct financing lease revenues which increased \$0.8 million. The incremental chassis operating lease revenues are primarily due to our chassis operating lease fleet which increased in size by 5% and an increase in the utilization rates for our chassis as compared to the prior year period. The daily rental rates for chassis were relatively flat as compared to the prior year period. The utilization rates of our domestic intermodal chassis operating lease fleet were 96% and 93% at December 31, 2003 and 2002, respectively.

Computer leasing equipment segment revenues decreased to \$0.6 million for the year ended December 31, 2003, from \$1.5 million in the year ended December 31, 2002, a decrease of \$0.9 million or 60%. This decrease is due to the liquidation of the computer leasing segment which was taking place throughout 2003.

Other Revenue. Our other revenues increased to \$27.8 million for the year ended December 31, 2003, from \$19.9 million in the year ended December 31, 2002, an increase of \$7.9 million or 40%.

Container leasing segment other revenues increased to \$11.8 million for the year ended December 31, 2003, from \$8.1 million in the year ended December 31, 2002, an increase of \$3.7 million or 46%. The increase was primarily attributable to an increase in container positioning revenue of \$2.1 million and an increase in billable repairs to our lessees at the termination of a lease of \$1.6 million.

Domestic intermodal equipment segment other revenues increased to \$16.0 million for the year ended December 31, 2003, from \$11.8 million in the year ended December 31, 2002, an increase of \$4.2 million or 36%. The increase was primarily attributable to an increase in billable services for positioning of equipment provided to the United States military of \$4.0 million.

Lease Operating and Administrative Expenses. Our lease operating and administrative expenses increased to \$163.5 million for the year ended December 31, 2003 from \$117.0 million in the year ended December 31, 2002, an increase of \$46.5 million or 40%.

The increase was primarily due to:

An increase of \$13.0 million resulting from the consolidation of the activities of CAI for the full year in 2003 compared to approximately six months in the prior year.

An increase in legal fees of \$11.6 million primarily related to the Audit Committee and SEC investigations as well as the restatement of our 2001 and 2000 annual financial results and the financial results of the first three quarters of 2002.

An increase in compensation related expense of \$13.0 million due to the recording of costs related to separation agreements with our former Chief Financial Officer who resigned in July 2003 and our former President who resigned in October 2003. Of this amount, \$7.1 million was related to the modification of fully vested stock options held by the former President and \$5.9 million related to severance and other

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costs incurred under the terms of the separation agreements. In addition, salary expense increased by \$2.6 million as a result of an increase in headcount and other employee related costs.

An increase in maintenance and repair costs of \$4.7 million primarily due to the refurbishment of chassis for use within the chassis product line and an increase in repairs within the container product line.

An increase in audit expenses of \$4.3 million primarily as a result of the restatement of our 2001 and 2000 annual financial results and the financial results of the first three quarters of 2002.

An increase of \$3.5 million in positioning and handling expenses, primarily due to an increase in services provided for the United States military during 2003.

An increase in insurance expense of \$0.8 million primarily due to premiums for insurance coverage against customer insolvency and related equipment losses. The premium rates and deductibles for this type of insurance have increased as a result of higher claim experience by the Company and others within the industry.

A decrease in storage costs of \$6.4 million primarily due to increased utilization, as well as a reduction in storage related expenses as we sold equipment recovered from a customer in default.

A decrease in computer leasing equipment segment lease operating and administrative expenses of \$0.4 million due to the liquidation of the computer leasing segment which was taking place throughout 2003.

A further breakdown of the lease operating and administrative expense variances, as compared to the prior period, by reportable segment is as follows:

Container leasing segment lease operating and administrative expenses (excluding the activities of CAI as CAI was a consolidated entity for the full year in 2003 compared to approximately six months in the prior year) increased to \$27.0 million for the year ended December 31, 2003 from \$26.1 in the year ended December 31, 2002, an increase of \$0.9 million or 3%. This increase can be summarized as follows:

(Dollars in millions)	Container Leasing
-----	-----
Legal fees	\$1.7
Audit expense	1.3
Compensation related expense	1.2
Maintenance and repairs expense	1.2
Insurance expense	0.3
Storage expense	(5.0)
Other, net	0.2

Total	\$0.9
	=====

Domestic intermodal equipment segment lease operating and administrative expenses increased to \$109.2 million for the year ended December 31, 2003 from \$76.3 in the year ended December 31, 2002, an increase of \$32.9 million or 43%. This increase can be summarized as follows:

**Domestic
Intermodal**

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(Dollars in millions)	Equipment
-----	-----
Compensation related expense	\$14.4
Legal fees	9.9
Maintenance and repairs expense	3.5
Positioning and handling expense	3.5
Audit expense	3.0
Insurance expense	0.5
Storage expense	(1.4)
Other, net	(0.5)

Total	\$32.9
	=====

Provision for Doubtful Accounts. Our provision for doubtful accounts decreased to \$4.2 million for the year ended December 31, 2003 from \$7.8 million for the year ended December 31, 2002. The decrease was primarily attributable to reduced provisions for Microtech (\$2.0 million) and additional provisions for specific customers which became part of our non-performing receivables during 2002. During 2003, our non-performing receivables increased \$1.7 million (\$12.8 million at December 31, 2003 and \$11.1 million at December 31, 2002). As of December 31, 2003 and 2002, our non-performing receivables, net of applicable reserves, were 1.27% and 2.54%, respectively, of accounts receivable, net. Our provision for doubtful accounts is provided based upon a quarterly review of the receivables. This review is based on the risk profile of the receivables, credit quality indicators such as the level of past-due amounts and economic conditions, as well as the value of underlying collateral in the case of direct financing lease receivables. (See Note 3 to the Consolidated Financial Statements.)

Fair Value Adjustment for Derivative Instruments. Our non-cash fair value adjustment for derivative instruments income amounted to \$1.8 million for the year ended December 31, 2003 as compared to expense of \$5.5 million in the year ended December 31, 2002, a change of \$7.3 million. This change is primarily related to the change in the fair market value of interest rate swaps accounted for as free standing derivatives.

Depreciation and Amortization of Leasing Equipment. Our depreciation and amortization expenses decreased to \$87.5 million for the year ended December 31, 2003, from \$88.7 million for the year ended December 31, 2002, a decrease of \$1.2 million or 1%.

While our operating fleet grew, the related increase in depreciation was offset by the following:

A decrease related to the write-off of \$7.5 million during the year ended December 31, 2002, representing the book value of the unrecovered equipment from a lease customer in default. No similar write off was recorded in 2003.

A depreciation reduction of \$2.3 million and \$0.2 million for chassis and containers, respectively, due to the change to our estimated useful lives which was effective April 1, 2002. For further discussion of leasing equipment see Note 1 to the Consolidated Financial Statements.

A \$1.0 million decrease in impairment write-downs recorded in 2003 (\$3.1 million) as compared to 2002 (\$4.1 million) based on an evaluation of the carrying value of our long-lived assets.

An increase in depreciation expense of \$7.7 million resulting from the consolidation of the activities of CAI for full year 2003, as opposed to approximately six months in 2002.

Impairment of Leasing Equipment. Our impairment of leasing equipment expense decreased to \$9.0 million for the year ended December 31, 2003, from \$9.6 million for the year ended December 31, 2002, a decrease of \$0.6 million.

This decrease was primarily due to a reduction in impairment losses for idle equipment (\$0.8 million), partially offset by an increase in impairment losses related to damaged equipment that was subsequently remanufactured (\$0.3 million).

Losses for Investments Accounted for Under the Equity Method. The decrease in losses for investments accounted for under the equity method of \$4.9 million during the year ended December 31, 2003 as compared to the prior year period resulted primarily from decreased equity method losses of CAI that we recorded through June 26, 2002, at which time CAI became our consolidated subsidiary. For the period from January 1, 2002 through June 26, 2002, our share of the equity losses of CAI was \$4.0 million. In addition, for the year ended December 31, 2003, we recorded \$1.7 million representing our share of equity losses as a result of certain other investments accounted for under the equity method of accounting, as compared to equity losses of \$2.6 million for the year ended December 31, 2002.

Other (Income)/Expense, Net. We had other income of \$5.1 million during the year ended December 31, 2003 compared to \$1.1 million of other expense for the year ended December 30, 2002. The change of \$6.2 million for the year ended December 31, 2003 was primarily due to:

The establishment of reserves during 2002 for our notes receivable from PCR (\$4.0 million), which effectively reduced the carrying value of these notes to zero during 2002, and the establishment of a reserve for our guarantee of PCR debts due to third parties as well as other liquidation accruals which are our responsibility (\$5.7 million).

Payments of \$2.7 million made to PCR by a company controlled by certain of our officers and directors which were expensed during 2002.

The write-off in 2002 of Microtech's \$1.4 million of computer equipment related receivables from PCR which have been determined to be uncollectible.

A \$2.9 million gain recorded in October 2003 resulting from the consolidation of assets and liabilities of a special purpose entity (which no longer qualified for off-balance sheet treatment for accounting purposes) formed as part of our container lease securitization program. This gain resulted primarily from the favorable credit loss experience through September 30, 2003 on the underlying direct financing leases as compared to the assumed credit losses of 1.5%. See Note 8 to the Consolidated Financial Statements for further discussion of the accounting for this special purpose entity.

An increase in fee income of \$0.7 million as a result of our acting as an agent and arranging a lease transaction between two parties during 2003.

Gains on equipment sales of \$0.7 million during the year ended December 31, 2003 as compared to losses on equipment sales of \$4.3 million during the prior year period. The change of \$5.0 million resulted primarily from gains on equipment sales to third parties recognized by CAI which became a consolidated subsidiary on June 27, 2002, as well as losses on the sale of leasing equipment of \$3.0 million resulting primarily from equipment recovered from a customer in default which generated losses during 2002.

In 2003 we recorded \$0.5 million in insurance revenue, which resulted in the recovery of costs incurred, resulting from a policy covering losses realized on a defaulted loan as compared to \$10.6 million recorded in 2002.

The sale of our Chicago property in 2002, which had been acquired as part of the acquisition of TA and resulted in a pre-tax gain of \$4.8 million.

A reduction in gains on retirement of debt of \$1.1 million as compared to the prior year period.

Interest Expense. Our interest expense decreased to \$106.7 million in the year ended December 31, 2003 from \$108.3 million in the year ended December 31, 2002, a decrease of \$1.6 million or 1%. The decrease in interest expense was primarily attributable to reduced interest rates resulting in reduced interest expense of \$10.2 million and a reduction in amortization of deferred financing fees of \$2.6 million as compared to the prior year period. These decreases to interest expense were partially offset by increased borrowings to fund capital expenditures, resulting in incremental interest expense of \$7.7 million, an increase in interest expense of \$1.7 million related to CAI for a full year of expense in 2003 compared with approximately six months in 2002 and \$1.7 million of bank fees in order to obtain waivers related to our delayed filings.

Interest Income. Our interest income decreased to \$4.0 million in the year ended December 31, 2003 from \$4.6 million in the year ended December 31, 2002, a decrease of \$0.6 million or 13%. The decrease in interest income was primarily due to reduced earnings on invested cash balances due to lower interest rates, as well as a decline in invested cash balances.

Minority Interest Expense, Net. The change in minority interest expense, net of \$0.1 million for the year ended December 31, 2003 as compared to the prior year resulted primarily from a decrease in minority interest income of \$0.1 million as a result of the consolidation of CAI effective June 27, 2002.

Provision/(Benefit) for Income Taxes. We recorded an income tax provision of \$0.8 million for the year ended December 31, 2003 as compared to a tax benefit of \$1.4 million for the year ended December 31, 2002. This increase in the provision for income taxes was caused by an increase in pre-tax income of \$35.3 million and the mix between pre-tax income and losses generated from international sources and United States sources. The international container division that is taxed at lower rates (approximately 3%) based upon the income tax convention between the United States and Barbados, contributed favorably to net income. The domestic intermodal division (including corporate activities) which is taxed at higher United States tax rates, experienced reduced losses during the year ended December 31, 2003, as compared to the prior year. Additionally, other provisions for deferred tax asset valuation allowances increased the tax provision by \$1.2 million during the year ended December 31, 2003 while the provisions for deferred tax asset valuation allowances decreased tax benefits by \$6.3 million for the year ended December 31, 2002.

Net Income. As a result of the factors described above, our net income increased to \$37.5 million in the year ended December 31, 2003 from \$4.4 million in the year ended December 31, 2002.

Liquidity and Capital Resources

Historically, we have used funds from various sources to meet our corporate obligations and to finance the acquisition of equipment for lease to customers. The primary funding sources have been cash provided by operations, borrowings (generally from banks), securitization of lease receivables, the issuance of capital lease obligations and the sale of our securities. In addition, we have generated cash from the sale of equipment being retired from our fleet. In general, we have sought to meet debt service requirements from the leasing revenue generated by our equipment. Our scheduled capital lease and debt service payments (principal and estimated interest) for 2005 total \$341.9 million and for 2006 total \$230.0 million. Scheduled payments due to us under non-cancelable operating and direct financing lease agreements with our lessees total \$302.2 million for 2005 and \$260.6 million for 2006 (see Note 3 to our Consolidated Financial Statements). In addition, as of December 31, 2004, we had approximately \$284.6 million of unrestricted cash and marketable securities on hand. The combination of unrestricted cash and marketable securities (\$284.6 million) and non-cancelable lease payments due to us during 2005 and 2006 (\$562.8 million) exceeds our scheduled debt service payments (principal and estimated interest) of \$571.9 million for 2005 and 2006 by approximately \$275.5 million. As indicated previously in Item 7 of this document, demand for both chassis and containers is currently strong, and our utilization rates, as well as those of our competitors are at high levels. We anticipate that industry

demand for chassis and containers will continue to be strong well into 2006, driven primarily by the fact that all major shipyards are reporting large order backlogs through 2007. As of October 1, 2004, the existing order backlog was enough to account for an increase of approximately 50% in the world's cellular container ship fleet and is expected to result in demand for a significant number of additional containers and chassis, as well as high utilization of existing units, for the next several years. Lease rates on both new and used chassis have been rising since the middle of 2004, reflecting increases in the cost of new chassis and increased utilization of used chassis. Lease rates for new containers have also been increasing along with the cost of the underlying units. Lease rates for used containers were competitive for much of 2004, although expiring leases are sometimes renewed at lower lease rates. It is management's expectation that lease rates will also remain strong for the next several years.

We have usually funded a significant portion of the purchase price for new containers and chassis through borrowings under a revolving credit facility and other lines of credit, or through secured financings with financial institutions. While we successfully completed financings and commitments totaling \$747.0 million during 2004, \$563.0 million of which has been utilized and \$184.0 million of which is available for use in the future, our ability to borrow funds on terms as favorable as those available previously was limited from March 31, 2003 through September 30, 2004. This limitation was due to the delay in filing our Annual Report on Form 10-K for 2002, our Quarterly and Annual Reports on Forms 10-Q and 10-K for 2003 and our Quarterly Reports on Form 10-Q for 2004. These factors, coupled with the requirement to maintain certain levels of unrestricted cash until the delayed financial filings were completed, affected the amount of business we wrote with our customers during 2004. During the first quarter of 2005, we received an additional \$223.0 million in net financing commitments, none of which has been utilized as of the date this report was filed with the SEC, and completed a draw-down under a lease arrangement with a Japanese lessor for which we received additional cash proceeds of approximately \$4.2 million. In addition, we regularly evaluate financing proposals which, when coupled with available cash balances and funds available under commitments mentioned above, could be used for growth, for re-financing existing facilities and for working capital.

Our financial restatement and re-audits, as well as the completion of the internal investigations by special counsel to our Audit Committee, prevented the timely completion of our financial statements and Form 10-K for the year ended December 31, 2003, our financial statements and SEC filings for 2004 and other required periodic reports contained in our loan documents. We requested and received necessary waivers under our loan documents. During February 2004, we provided our lenders with a revised schedule for completing and filing our financial statements and periodic SEC filings for 2003 and 2004, and requested that our lenders waive any default resulting from the late preparation and filing of the financial statements and required periodic reports. We completed and filed each of the financial statements and required periodic reports mentioned above before the dates required by our lenders.

During 2003 and 2004, we received waivers from various financial institutions for the delay in issuing our SEC financial reports. In connection with certain of those waivers, we agreed to certain modifications to the terms of several of our debt agreements, including, in a few cases, the pledging of additional collateral and changes to amortization schedules. With the filing of our report on form 10-Q for the third quarter of 2004 on December 27, 2004 we were no longer delinquent with our SEC financial filings and the waivers were no longer required. In addition, the two facilities where amortization schedules had been accelerated were paid off in full during the fourth quarter of 2004.

In connection with our delayed SEC filings and the receipt of waivers from our lenders necessitated by the delayed filings, beginning in January 2004, the members of our Board of Directors and certain of their affiliates who own shares of our common stock agreed to defer their receipt of any dividend payments, until we were in compliance with all SEC filing requirements. As of December 27, 2004, we were no longer delinquent with regard to our SEC filings and the deferred dividends described above were paid prior to December 31, 2004.

Over the years, we have explored from time to time the possibility of raising capital or reducing our leverage through the issuance and sale of our equity securities. As of the date this Form 10-K is being filed, we have not entered into any agreement for any such transaction other than the sale of our Warrants in September 2004. There is no assurance

that any such transaction will occur or, if a transaction occurs, what the terms thereof would be.

Cash Flow

Net cash provided by operating activities amounted to \$160.3 million in 2004, \$150.0 million in 2003 and \$120.1 million in 2002. While net income for the year ended December 31, 2004 was \$29.6 million lower than net income for the year ended December 31, 2003, it included a non-cash expense of \$49.2 million related to the adjustment of the fair value of warrants issued by us in the third quarter of 2004. Net income for the year ended December 31, 2003 included a non-cash charge of \$7.1 million (\$4.3 million after tax) related to the modification of options held by our former President. Excluding these adjustments for the fair value of the warrants and the option modification, net cash provided by these activities increased \$15.3 million. This increase, along with a decrease in other receivables (\$26.8 million) was partially offset by a decrease in accounts payable and accrued expenses (\$13.6 million) and an increase in other assets (\$13.0 million). The increase in net cash provided by these activities in 2003 as compared to 2002 was primarily due to an increase in net income, as well as changes in operating assets and liabilities in the ordinary course of business.

Net cash used for investing activities amounted to \$8.3 million in 2004, \$212.7 million in 2003 and \$176.4 million in 2002. The decrease in net cash used in these activities in 2004 as compared to 2003 was primarily due to a decrease in the investment in direct financing leases (\$65.5 million), a decrease in acquisition of leasing equipment (\$30.9 million), an increase in cash collections on direct financing leases (\$11.1 million) and an increase in the proceeds from disposition of leasing equipment (\$98.7 million). The increase in net cash used in these activities in 2003 as compared to 2002 was primarily due to an increase in the acquisition of leasing equipment (\$45.6 million) and an increase in the investment in direct financing leases (\$45.2 million), partially offset by an increase in cash collections on direct financing leases (\$18.0 million).

Net cash provided by financing activities amounted to \$16.4 million in 2004, \$33.0 million in 2003 and \$123.1 million in 2002. The decrease in net cash provided by these activities in 2004 as compared to 2003 was primarily due to an increase in repayment of revolving credit lines (\$189.5 million), an increase in repayment of long term debt and capital lease obligations (\$183.1 million) and a decrease in borrowings under revolving credit facilities (\$57.5 million), partially offset by an increase in the proceeds from the issuance of debt (\$415.5 million). The decrease in net cash provided by these activities in 2003 as compared to 2002 was primarily due to a decrease in the proceeds from the issuance of debt (\$1,015.6 million), partially offset by a decrease in repayment of long term debt and capital lease obligations (\$819.4 million), a decrease in repayment of revolving credit lines (\$65.3 million) and an increase in borrowings under revolving credit facilities (\$41.0 million).

The following table sets forth certain historical cash flow information for the three years ended December 31, 2004.

	Year Ended December 31		
	2004	2003	2002
	----	----	----
	<i>(Dollars in millions)</i>		
Net cash provided by operating activities	\$160.3	\$150.0	\$120.1
Proceeds from disposition of leasing equipment	153.1	54.4	12.0
Acquisition of leasing equipment	(206.6)	(237.5)	(191.9)
Investment in direct financing leases	(43.7)	(109.3)	(64.1)
Net collections on direct financing leases	88.9	77.8	59.7
Net proceeds of issuance of long-term debt and capital lease obligations in excess of payment of long-term debt and capital lease obligations	240.0	7.6	203.8
Net (repayment) borrowings of revolving credit lines	(215.5)	31.5	(74.8)

Contractual Obligations and Commercial Commitments

We and our subsidiaries are parties to various operating and capital leases and are obligated to make payments related to our long-term borrowings. (See Notes 4 and 8 to the Consolidated Financial Statements.) We are also obligated under various commercial commitments, including obligations to our equipment manufacturers.

The following tables summarize our contractual obligations and commercial commitments at December 31, 2004.

Contractual Obligations	Total	Amounts Due by Period (Dollars in millions)		
		Less than 1 year	1-3 years	4-5 years
Long-Term Debt	\$ 990.7	\$ 161.3	\$ 298.5	\$ 108.7
Capital Lease Obligations	727.5	79.3	125.5	136.8
Interest on Long-Term Debt and Capital Lease Obligations	732.6	101.3	168.9	122.8
Operating Leases	56.6	15.2	29.1	9.6
Unconditional Purchase Obligations	149.6	116.7	32.9	---
Employment Agreements	10.3	2.8	2.5	2.4
Separation Agreements	2.6	1.3	1.3	---
	---	---	---	---
Total Contractual Cash Obligations	\$2,669.9	\$477.9	\$658.7	\$380.3

Other Commercial Commitments	Total Amounts Committed	Amount of Commitment Expiration Per Period			
		Less than 1 year	1-3 years	4-5 years	Over 5
Standby Letters of Credit	\$ 6.0	\$6.0	\$---	\$---	\$
Guarantees	16.8	---	1.5	6.6	---
	---	---	---	---	---
Total Commercial Commitments	\$22.8	\$6.0	\$1.5	\$6.6	\$

Debt and Capital Lease Obligations:

The following table summarizes our debt and capital lease obligations as of December 31, 2004 and 2003:

	(Dollars in Millions)	
	December 31, 2004	December 31,
Capital lease obligations payable in varying amounts through 2013 Chassis Securitization Facility, interest at 5.99% and 5.59% at December 31, 2004 and 2003, respectively	\$329.6	\$325.2
Warehouse facility	22.5	25.5
Debt obligation	53.9	86.4
Capital lease obligation	397.8	404.7
Secured equipment financing facility, interest at 4.45% at December 31, 2004, revolving period ending October 31, 2006, term out period ending April 30, 2012	243.0	---
Revolving credit facility, interest rate at 3.09% at December 31, 2003	---	193.5
Revolving credit facility CAI, interest rate at 4.56% and 3.37% at December 31, 2004 and 2003, respectively	65.0	87.0
Container securitization facility, interest at 6.50% at December 31, 2003	---	76.6

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6.00% Notes due 2014 (unsecured) net of unamortized discount of \$33.7 at December 31, 2004	196.3	---
7.35% Notes due 2007 (unsecured)	115.4	147.0
7.20% Notes due 2007 (unsecured)	45.3	62.8
9.25% Convertible redeemable subordinated debentures, mandatory redemption 2022 (unsecured)	37.2	37.2
9.875% Preferred capital securities due 2027 (unsecured)	75.0	75.0
Notes and loans payable with various rates ranging from 3.60% to 7.90% and maturities from 2005 to 2010	137.2	194.8
	-----	-----
Total Debt and Capital Lease Obligations	1,718.2	1,715.7
	-----	-----
Less Current Maturities	240.6	219.2
Total Non-Current Debt and Capital Lease Obligations	\$1,477.6	\$1,496.5
	=====	=====

Our debt consists of notes, loans and capital lease obligations with installments payable in varying amounts through 2027, with a weighted average interest rate of 6.2% in 2004. The principal amount of debt and capital lease obligations payable under fixed rate contracts is \$898.7 million. Remaining debt and capital lease obligations of \$819.5 million is payable under floating rate arrangements, of which \$408.3 million has been converted to fixed rate debt through the use of interest rate swap agreements. At December 31, 2004, most of our debt and capital lease obligations are secured by a substantial portion of our leasing equipment, direct financing leases, and accounts receivable, except for \$469.2 million of debt which is unsecured. For further information on the accounting treatment for interest rate swap contracts see Note 5 to the Consolidated Financial Statements.

Debt Modifications: Throughout 2003 and 2004, in connection with obtaining necessary waivers from lenders for late filing of our periodic reports with the SEC and the restatement of our past financial statements, we agreed to certain modifications to our existing debt agreements as follows:

Our container securitization facility was amended to relinquish our right to request additional advances under the facility and we agreed that all lease payments subsequently received under the facility would be used to reduce the indebtedness. In addition, we agreed to comply with several new covenants, consistent with those contained in the amendment to our revolving credit agreement, as described below. This facility was paid in full during December 2004.

In May 2003, we established a \$200.0 million revolving warehouse facility within our chassis securitization facility and received funding from a \$25.5 million debt obligation issuance. In July 2003 and October 2003, we agreed, among other things, to suspend our ability to incur additional funding under the warehouse facility until such time as the loan and guarantee parties have each agreed in their sole discretion to reinstate their funding commitments. The loan and guarantee parties are under no obligation to reinstate any commitments to the warehouse facility.

In July 2003 and October 2003, and January and February 2004, in connection with obtaining necessary amendments under the revolving credit facility due to the late filing of our periodic reports with the SEC and the restatement of our past financial statements, we agreed, among other things, to reduce advance rates under this revolving facility, to add several events of default, to increase the interest rate margin, and to maintain specified levels of unrestricted cash and cash equivalents until delinquent SEC filings were made. Specifically, we agreed to maintain unrestricted cash and cash equivalents of at least \$71.0 million at all times and at least \$80.0 million as of the last business day of each month, until our 2002 Form 10-K was filed. Our 2002 Form 10-K was filed on January 9, 2004. Subsequent to January 9, 2004, we were obligated to maintain unrestricted cash and cash equivalents of at least \$60.0 million at all times and at least \$67.5 million as of the last business day of the month until completion and filing of all delayed financial statements for 2003 and 2004. This minimum cash requirement was also adopted in the waivers of the container securitization and one other loan agreement. In conjunction with the waiver received

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during February 2004, we replaced our annual amortization payment with monthly amortization payments under our revolving credit facility beginning in March 2004. The related minimum cash requirement was subsequently reduced dollar-for-dollar with the amortization payments and, at June 30, 2004, amounted to \$50.0 million. Beginning with the amortization payment due September 1, 2004, the minimum cash requirement was again reduced dollar-for-dollar as amortization payments were made. These facilities were paid in full during November 2004.

We also agreed to restrictions on dispositions of collateral and on encumbrances of assets as well as a limitation on concessions that could be made to our other financial institutions in connection with obtaining waivers. The October 2003 amendment also required us to provide additional financial information to the lenders under the facility and to continue the engagement of a financial advisor. With the filing of our Form 10-Q for the third quarter of 2004 during December 2004, the payment in full of certain financing facilities during the fourth quarter of 2004, and the agreement of three lenders during the first quarter of 2005, these restrictions and reporting requirements are no longer in effect.

In addition to the debt specifically identified above, we had additional notes and loans outstanding with various financial institutions. In the fourth quarter of 2003, we agreed to certain modifications to the provisions of some of these instruments. These modifications included, in certain instances, changes to the amortization schedule resulting in a requirement for accelerated principal payments of \$16.6 million (\$2.0 million of which were made during January and February 2004 and the rest of which were eliminated when the facility in question was paid in full during March 2004), an average interest rate increase of 241 basis points on two debt facilities having a total of \$67.7 million outstanding as of December 31, 2003 and the pledging of \$9.1 million in additional collateral to four facilities having a total of \$38.6 million outstanding at the time the additional collateral was pledged.

In April 2003, in connection with a borrowing under the container securitization, we entered into an interest rate swap agreement with an original notional amount of \$31.2 million. This swap contract matures in 2009 and the swap was used to manage interest rate risks on the floating rate borrowings in the securitization facility. In May 2003, in connection with a borrowing under the chassis revolving warehouse securitization facility, we entered into an interest rate swap with an original notional amount of \$25.5 million. This swap contract matures in 2014 and the swap is used to manage interest rate risks on floating rate facilities.

New Financings and Commitments: During 2004, we entered into new financings and commitments totaling \$747.0 million of which \$563.0 million was utilized. The new debt utilized during 2004 consisted of the following:

	New Borrowings 2004
Total New Debt and Capital Lease Obligations	
Capital lease obligations payable through 2013 with interest imputed at rates from 5.45% to 7.45%	\$55.8
6.00% Notes due 2014 (unsecured)	230.0
Secured equipment financing facility, interest at 4.45% at December 31, 2004, revolving period ending 10/31/06, term out period ending 4/30/12	243.0
Notes and loans repayable with various rates ranging from 4.28% to 7.53% and maturities from 2005 to 2009	34.2

Total New Debt and Capital Lease Obligations 2004	\$563.0
Original Issue Discount on 6.00% Notes due 2014	(34.2)

Total Net New Debt and Capital Lease Obligations 2004	\$528.8
	=====

New Financings: The following financings, which are included in the above summary, were completed during 2004:

In March 2004, we completed secured financings of \$81.6 million and in May 2004, \$13.6 million, the proceeds of which were used to pay amounts due to equipment manufacturers and for general corporate purposes. One of the March financings which was originally \$76.0 million was subsequently refinanced in November and thus not included above.

We successfully completed a secured financing of \$15.0 million during July 2004 with installments payable through 2005 at an interest rate of LIBOR plus 2.5%. A portion of the proceeds was used to satisfy a note payable from PCR to an unrelated financial institution, which we guaranteed for PCR. The remaining proceeds were used for general corporate purposes.

During August 2004, we entered into a lease arrangement with a Japanese lessor involving \$21.1 million of equipment previously financed with a financial institution during December 2003 and May 2004. The lease "advance rate" against this equipment was 107% (\$22.5 million total advance), increasing the cash proceeds received by us by \$5.8 million from the level of the previous financings. The lease expires in December 2008, and we have a fixed purchase option at that time for \$14.6 million that we expect to exercise. The aggregate fixed interest rate is 7.44%.

On September 14, 2004, we entered into a Securities Purchase Agreement pursuant to which we sold \$150.0 million total principal amount of a new series of 6.0% notes due 2014 (the "Notes") in a private transaction with four investors. In connection with the sale of the Notes, we also issued to the investors two series of Warrants exercisable for a total of 8,333,333 shares of our common stock at an exercise price of \$18.00 per share (the "Warrants"). The exercise price will be subject to customary anti-dilution adjustments as set forth in the Warrants.

The Notes mature on September 1, 2014, with interest payable semi-annually at a rate of 6.0% per annum. We have the right to redeem the Notes at any time after September 1, 2009 with a declining premium. The maturity of the Notes can be accelerated upon the occurrence of an "Event of Default" as such term is defined in the indenture governing the Notes (the "Indenture"). The Indenture also contains various restrictive covenants, including limitations on the payment of dividends and other restricted payments, limitations on incurrence of indebtedness, and limitations on asset sales, the violation of which would result in an Event of Default.

The first series of Warrants (the "Series A" Warrants) is exercisable at any time for a total of 5,475,768 shares. The second series of warrants (the Series "B" Warrants) will become exercisable at any time for a total of 2,857,565 shares, following stockholder approval of such exercise at a special meeting of our stockholders. We also entered into agreements with the investors to file registration statements with the Securities and Exchange Commission, for the benefit of the investors, with respect to the Notes and the Warrants. The terms of the Warrants provide that the exercise price will be paid by the investors to us solely in cash except that after we have filed a registration statement with the Securities and Exchange Commission relating to the Warrants and underlying common stock, in the event such registration statement has not become effective or is otherwise not available to the Warrant holders or if the exercise of the Warrants for cash would not be permitted under the federal securities laws, the exercise price may be paid by tendering a principal amount of 6.0% Notes equal to the exercise price of the Warrants then being exercised. The sale of the Notes and Warrants pursuant to the Securities Purchase Agreement was made in reliance on the exemption from the registration requirements of the Securities Act of 1933 (the "Act") pursuant to Section 4(2) of the Act.

Of the \$150.0 million in proceeds from the September 14, 2004 sale of the Notes and Warrants, we repurchased, at face value, a portion of our outstanding 7.35% notes due 2007 (\$31.6 million) and 7.20%

notes due 2007 (\$17.5 million) which were held by the investors. The remaining proceeds are being used for general corporate purposes, including, but not limited to, the purchase of equipment, retirement of debt, potential acquisitions and/or working capital.

The Warrants expire on September 1, 2014, although we have the right under certain conditions to require that they be exercised at any time after our common stock trades at \$30.00 per share or more for five consecutive trading days assuming the shares being issued upon exercise are registered shares.

The fair value of the warrants at the date of the transaction was estimated at \$22.5 million and was recorded in warrant liability on the Consolidated Balance Sheet, with the offset recorded as a discount on the Notes. This discount is being amortized as interest expense using the effective interest method over the ten-year life of the Notes. The overall interest rate on the Notes, considering the amortization of the discount, is approximately 8.3%.

EITF 00-19, *Accounting for Derivative Financial Instruments Indexed to, and potentially Settled in a Company's Own Stock* ("EITF 00-19") requires freestanding contracts that are settled in a Company's own stock, including common stock warrants, to be designated as an equity instrument, asset or liability. Under the provisions of EITF 00-19, a contract designated as an asset or liability must be carried at fair value until the contract meets the requirements for classification as equity, until the contract is exercised or until the contract expires. We have classified these warrants as a liability, as noted above, because the requirements of EITF 00-19 for classification of the warrants as equity have not yet been met. During the period in which the warrants are classified as a liability, any changes in fair value will be reported as fair value adjustment for warrants in the Consolidated Statement of Income. Due primarily to the increase in the market value of our common stock during the last quarter of 2004, the fair market value of these Warrants has increased from \$22.5 million at September 30, 2004 to \$71.7 million at December 31, 2004. As a result, during the three months ended December 31, 2004, we have recorded a non-cash expense of \$49.2 million (for which no tax benefit is derived) which has been reflected as fair value adjustment for warrants on the accompanying Consolidated Statements of Income. Accordingly, future changes to the fair market value of these Warrants have the potential to cause volatility in our future results. For the period of time that these warrants are classified as a liability, any increase in the fair market value of the Warrants will result in an additional non-cash expense to the Consolidated Statements of Income. If the fair market value of the Warrants decreases in the future we will record non-cash income in our Consolidated Statements of Income. At such time as all of the conditions of EITF 00-19 are met for classification of the Warrants as equity, the liability account representing the fair value of the warrants at the date the conditions are met will be reclassified to additional paid-in-capital on the Consolidated Balance Sheets.

We have agreed to file a Registration Statement for the Warrants and the Notes with the Securities and Exchange Commission by May 1, 2005. In addition, we have agreed to use commercially reasonable efforts to have the Warrant Registration Statement and the Notes Registration Statement declared effective by July 1, 2005. It is impossible for us to predict when either of these registration statements will become effective. If either of these Registration Statements is not effective by October 1, 2005, or is not filed by May 1, 2005, we will be required to pay liquidated damages to the holders of these securities based upon a value of \$150.0 million for the Notes and \$150.0 million for the Warrants. For the first 90 days, the amount of liquidated damages to be paid related to the Warrants and the Notes will be calculated using a rate of 0.25% per annum for each day the Registration Statements are not effective after September 30, 2005 or if the Registration Statements are not filed by May 1, 2005. This percentage will be increased by 0.25% for each 90 day period, until these conditions are met, up to a maximum of 1.00% per annum.

A condition that must be met for equity treatment under the provisions of EITF 00-19 is that there can be no possibility of a net cash settlement of the Warrants. Under the terms of the Warrant Agreement, in the event that stockholder approval of the issuance of common stock pursuant to the Series B Warrants is not

obtained prior to April 30, 2005, the holders of the Series B Warrants have the right to settle their warrants for cash. In order to do this, the Series B Warrant holders, upon payment of the exercise price would receive cash from us in an amount equal to 105% of the market price of our common stock on the day prior to exercise. For example, if the market value of our stock was \$22 at the date that the Series B Warrant holders exercised their right for a net cash settlement, the net cash settlement paid to the holders of the Series B Warrants would be approximately \$14.6 million ($\$22 \text{ market value} \times 105\% \times 2,857,565 \text{ shares}$ less exercise price of $2,857,565 \text{ shares} \times \18). We intend to hold a special meeting of the Stockholders as soon as practicable and at that meeting will seek stockholder approval for the exercise of the Series B Warrants. It is impossible for us to hold this meeting until our Proxy requesting this approval has been filed with and accepted by the Securities and Exchange Commission and all stockholders have been notified regarding the meeting. In connection with the sale of the Notes and Warrants, certain of our significant stockholders, whose combined ownership interest represents more than 50% of the issued and outstanding shares of our common stock, entered into a voting agreement pursuant to which they have agreed to vote to approve the exercise of the second series of Warrants by the investors. In addition, Martin Tuchman, our Chairman and Chief Executive Officer, Warren L. Serenbetz, a former member of our Board of Directors, and an entity controlled by members of Mr. Serenbetz's family agreed to certain restrictions on their ability to transfer shares of our common stock in private transactions. If the approval for the issuance of the shares related to the Series B Warrants is obtained after April 30, 2005 and prior to the exercise of the Series B Warrants by the Holders of the Warrants, the holders of the Series B Warrants will lose their right to exercise the net cash settlement feature of Series B Warrants once such shareholder approval is received. At that time, this will no longer be a condition for liability treatment under the provisions of EITF 00-19.

Copies of the Securities Purchase Agreement, the Indenture, the Warrant Agreement, the Notes Registration Rights Agreement and the Investor Rights Assessment were filed as exhibits to our report on Form 8-K issued September 15, 2004.

On November 1, 2004, we consummated a secured equipment financing with one of our existing lenders. The financing is secured by shipping containers and related leases owned by one of our special purpose consolidated subsidiaries and leased to various third parties. The financing allows for advances from time to time up to the amount of available collateral under the facility, subject to a maximum principal amount that may be outstanding under the facility of \$252.0 million. Of the \$243.0 million drawn down on November 1, 2004, we used \$224.4 million to refinance outstanding indebtedness, which includes the entire \$154.8 million of outstanding borrowings under our revolving credit facility, which has now been terminated, as well as an existing \$69.6 million loan from this lender. The remaining balance of \$18.6 million was used for transaction fees and working capital purposes. The interest rate under this new facility is currently LIBOR plus 175 basis points, with a reduction to LIBOR plus 150 basis points possible as our credit rating improves. This agreement, as amended, requires that we enter into interest rate swap contracts in order to effectively convert at least seventy percent of the debt associated with operating lease equipment and ninety percent of the debt associated with direct financing leases from floating rate debt to fixed rate debt by March 31, 2005. As of December 31, 2004, we have not entered into any swap contracts related to this facility. The facility has a two-year term, after which the outstanding balance will be paid out in full over 66 months if it is not refinanced.

This agreement requires that we maintain a tangible net worth (as defined in the Agreement) of at least \$300.0 million. The facility also requires us to maintain a fixed charge coverage ratio of 1.5 to 1 and a funded debt to tangible net worth ratio of 4.0 to 1.0 and contains other customary restrictive covenants. At December 31, 2004 we were in compliance with these covenants.

During the first quarter of 2005, we received additional commitments under this facility totaling \$248.0 million from six additional financial institutions. As of the date this Form 10-K was filed, none of these

additional commitments had been utilized.

On November 29, 2004, we sold \$80.0 million total principal amount of new 6.0% notes (the "November notes") due 2014 to eight investors under the same indenture used for the \$150.0 million unsecured financing completed during September 2004. The terms of the November notes are identical to those of the notes sold during September (as described previously in this document) with the following exceptions: (1) there were no warrants associated with the November notes and (2) the original issue discount on the November notes was approximately 14.7% versus 15.0% for the September notes. The November notes were sold at a discount which provided net proceeds totaling \$68.1 million. The net proceeds are for general corporate purposes, including, but not limited to the purchase of equipment, retirement of debt, acquisitions, and/or working capital.

In December 2004, we completed two capital lease obligation transactions totaling \$50.0 million, the proceeds of which were used for general corporate purposes.

In addition to the revolving credit facility mentioned previously, we paid-in-full three other secured lending facilities, totaling \$37.0 million, during November 2004, including two facilities with Yardville National Bank (a subsidiary of an entity in which our Chief Executive Officer owns approximately five percent of the common stock and serves on the executive Committee of the Board of Directors.) Also in December 2004 we paid in full the remaining outstanding debt obligations of the container securitization.

Commitments: A commitment for \$150.0 million was completed on December 29, 2004 and will be open for 364 days, after which it will either be renewed, refinanced or will be paid out in full over the following 48 months. The advance rate under this facility will be either 60% or 75% at our option. The interest rate is determined by a pricing grid and can range from LIBOR plus 140 to 180 basis points, depending upon our tangible debt to total net worth ratio (as defined in the agreement) or our corporate credit rating, and the advance rate chosen. As of December 31, 2004, the rate would be LIBOR plus 165 basis points at a 75% advance rate and LIBOR plus 150 basis points at a 60% advance rate. There is a commitment fee of 45 basis points per annum on any unused portion of this commitment, payable quarterly in arrears. Another commitment for \$25.0 million was available for future use at December 31, 2004. This commitment was scheduled to be open until March 31, 2005, after which any unfunded portion of the commitment would expire. This commitment was subsequently cancelled during February 2005 to allow the financial institution to provide a larger commitment as part of the \$150.0 million facility mentioned above. During the first quarter of 2005, we received additional commitments under a secured equipment financing established on November 1, 2004 totaling \$248.0 million from six additional financial institutions. As of the date this Form 10-K was filed, none of these additional commitments had been utilized.

Container Securitization Facility: Effective October 1, 2003, a customer elected to return a portion of the equipment covered by a direct financing lease which had been included in a qualified special purpose entity as part of the lease securitization program. The equipment was subsequently leased to another customer under the terms of an operating lease agreement. As such, the lease could no longer be considered a financial asset and the Securitization Trust entity could no longer be treated as an off-balance sheet qualified special purpose entity for accounting purposes. Therefore, effective October 1, 2003, we consolidated the assets and liabilities of this special purpose entity and recorded the remaining obligation of this special purpose entity amounting to \$17.8 million as debt and capital lease obligations on the Consolidated Balance Sheets. At December 31, 2003, \$13.3 million of this debt remained outstanding. This debt was repaid in full during December 2004. See Note 7 to the Consolidated Financial Statements for further discussion regarding the change in accounting for this special purpose entity.

Covenants: Under our secured equipment financing facility (and most of our other debt instruments, we were required to maintain covenants (as defined) for tangible net worth (the most stringent of which required the Company to maintain tangible net worth of at least \$300.0 million), a fixed charge coverage ratio of 1.5 to 1 and a funded debt to

net worth ratio (as defined in the agreement) of 4.0 to 1. A servicing agreement to which we are a party requires that we maintain a tangible net worth (as defined in the agreement) of at least \$375.0 million plus 50% of any positive net income reported from October 1, 2004 forward. Additionally, under a credit agreement, we are required to maintain a security deposit in the aggregate amount of at least 80% of the outstanding loan balance, including interest. This amounted to \$4.8 million at December 31, 2004 and is included in other assets on the Consolidated Balance Sheet. At December 31, 2004, we were in compliance with these covenants, as amended. At December 31, 2004, under a restriction in our 6.0% Note Indenture, approximately \$3.6 million of retained earnings were available for dividends.

Other: As of December 31, 2004, our commitments for future capital expenditure totaled approximately \$149.6 million with approximately \$116.7 million committed for 2005. Our available liquidity, including \$223.0 million available under credit facilities, at December 31, 2004 was \$507.6 million after deducting \$24.9 million of restricted cash. Required debt repayments and capital lease payments for 2005 totaled \$240.6 million as of December 31, 2004 which we anticipate making through our unrestricted cash balances and cash flow from operations.

In the past, cash on hand, cash flow from operations, borrowings under credit facilities and the net proceeds of the issuance of debt and equity securities has been sufficient to meet our needs for working capital, capital expenditures and required debt repayments. We expect to continue to rely in substantial part on long-term financing for the purchase of equipment or strategic acquisitions to expand our business in the future. We cannot assure that long-term financing will be available for these purposes on acceptable terms or at all. In addition, from time to time, we may explore new sources of capital both at the parent and subsidiary levels. We successfully entered into secured financing commitments of approximately \$517.0 million during 2004, \$333.0 million of which was utilized as of December 31, 2004, plus an additional \$230.0 million of unsecured financings. We regularly evaluate financing proposals which when coupled with available cash balances and funds available under commitments mentioned above, could be used for growth, for refinancing existing facilities and for working capital.

Settled Insurance Litigation

In connection with an insurance claim related to the default of a South Korean customer and a subsequent lawsuit filed by the insurance carriers against us, on June 17, 2004 we signed an agreement settling the lawsuit and our claims under the policy. Under the terms of the settlement agreement, the insurance carriers paid us a total of \$26.4 million during 2004. In addition, we received the right to retain any of the equipment we had recovered since the date of the claim. We recognized a pre-tax gain of \$6.3 million related to the \$26.4 million settlement, which is recorded in gain on insurance settlement on the Consolidated Statements of Income.

CAI

In April 1998, we acquired a 50% common equity interest in CAI. CAI owns and leases its own fleet of containers and also manages, for a fee, containers owned by us and third parties. We entered into an operating relationship with CAI primarily to facilitate the leasing in the short-term market of containers coming off long-term operating lease, to gain access to new companies looking to lease containers on a long-term basis and to realize cost efficiencies from the operation of a coordinated container lease marketing group. For containers managed by CAI for us in the short-term market, we earn the net operating income and pay CAI a fee for managing our equipment and leasing it on our behalf. The calculation is based on the average daily net operating income of CAI's fleet of owned, leased-in and managed containers (including the portion of CAI's fleet that consists of our equipment) for each day such managed containers are part of the CAI fleet. The marketing group which is organized as our wholly-owned subsidiary, is responsible for soliciting container lease business for both us and for CAI, including long-term operating and direct financing lease business and short-term lease business on master lease agreements. We have a right to purchase all long-term operating and direct financing lease business generated by the marketing group, subject to offering to CAI, at cost, 10% of this long-term operating and direct financing lease business. By mutual agreement, CAI has purchased for its own account long-term operating and direct financing lease business generated by the marketing group in excess of such amount. In addition, on occasion, we have entered into transactions with CAI pursuant to which we have

acquired equipment, and the related leases, from CAI on terms that resulted in a profit for CAI. Such equipment, as well as certain other containers purchased from time to time, are currently managed for us by CAI for a fee based upon the actual net operating income earned by such containers.

In connection with the acquisition of our equity interest in CAI, we loaned CAI \$33.7 million under a Subordinated Note Agreement (the "Note") that is collateralized by all containers owned by CAI as of April 30, 1998 or thereafter acquired, subject to the priority security interest lien of CAI's senior credit facility, except for certain excluded collateral. Interest on the Note is at an annual fixed rate of 10.5% and is payable quarterly. The original repayment terms required mandatory quarterly principal payments of \$1.7 million beginning July 30, 2003 through April 30, 2008. The Note was subject to certain financial covenants and was cross-collateralized with CAI's senior credit facility, subject to the terms of a subordination agreement.

On June 27, 2002, CAI entered into an amended \$110.0 million senior revolving credit agreement with a group of financial institutions. To facilitate the closing of this new credit facility, we agreed to extend the repayment terms of our Note so as to require mandatory quarterly principal payments of \$1.7 million beginning July 30, 2006 through April 30, 2011 and modified certain financial covenants in the Note. Interest on the Note continues to accrue at an annual fixed rate of 10.5% and is payable quarterly. The Note continues to be cross-collateralized with CAI's senior credit agreement, subject to the terms of an amended and restated subordination agreement. At the same time, we were provided a majority position on CAI's board of directors. As a result of these transactions and gaining a majority position on CAI's board, our financial statements include CAI as a consolidated subsidiary commencing June 27, 2002. Previously, CAI was accounted for under the equity method of accounting. Our share of the equity losses of CAI for the periods from January 1, 2002 through June 26, 2002 have been recorded in losses for investments accounted for under the equity method in the accompanying Consolidated Statements of Income. Since June 27, 2002, CAI's results of operations have been included in the appropriate captions on the accompanying Consolidated Statements of Income. The assets and liabilities of CAI at December 31, 2004 and 2003 have been included on the accompanying Consolidated Balance Sheets.

A total of \$65.0 million was outstanding under CAI's senior revolving credit facility at December 31, 2004. Borrowings under CAI's senior credit facility are secured by substantially all of CAI's assets, other than certain excluded assets, and are payable on June 27, 2005. CAI is currently in discussions with its lenders regarding a renewal of its senior revolving credit facility. The senior credit facility contains various financial and other covenants. At December 31, 2004, CAI was in compliance with these covenants. The senior credit facility was amended in May 2003 to increase the letter of credit commitment by the lenders' administrative agent.

In April 2004, we reached an agreement with CAI resolving differences in interpretation of certain provisions of the Operating and Administration Agreement (the "CAI Agreement") governing payment of appropriate remedial compensation when an age disparity develops between our containers managed by CAI and the balance of CAI's managed fleet. Pursuant to our agreement with CAI, we paid CAI \$2.0 million for resolution of all disputes through February 29, 2004. The impact of this agreement was recorded by us during the three months ended March 31, 2004, as a reduction in consolidated pre-tax income of \$1.0 million (\$0.6 million net of tax). We anticipate that the earnings related to certain of our containers managed by CAI will be reduced to the extent the average age of such containers exceeds the average age of all other containers in CAI's fleet.

Chassis Holdings I, LLC

For many years, The Ivy Group, a New Jersey general partnership composed directly or indirectly of certain of our current and former directors and executive officers, together with certain of its principals, leased chassis to our wholly-owned subsidiary Trac Lease, Inc. ("Trac Lease") for use in Trac Lease's business. As of January 1, 2001, Trac Lease leased a total of 6,047 chassis from The Ivy Group and its principals for an aggregate annual lease payment of approximately \$2.6 million. On July 1, 2001, we restructured our relationship with The Ivy Group and its principals to provide us with managerial control over the 6,047 chassis previously leased by Trac Lease from The Ivy Group and its

principals. As a result of the restructuring, the partners of The Ivy Group contributed these 6,047 chassis and certain other assets and liabilities to a newly formed subsidiary, Chassis Holdings I, LLC ("Chassis Holdings"), in exchange for \$26.0 million face value of preferred membership units and 10% of the common membership units, and Trac Lease contributed 902 chassis and two thousand dollars in cash to Chassis Holdings in exchange for \$3.0 million face value of preferred membership units and 90% of the common membership units. The preferred membership units are entitled to receive a preferred return prior to the receipt of any distributions by the holders of the common membership units. The value of the contributed chassis was determined by taking the arithmetic average of the results of independent appraisals performed by three nationally recognized appraisal firms in connection with our establishment of a chassis securitization facility in July 2000. As the managing member of Chassis Holdings, Trac Lease exercises sole managerial control over the entity's operations. Chassis Holdings leases all of its chassis to Trac Lease at a rental rate equal to the then current Trac Lease fleet average per diem. Chassis Holdings and the holders of the preferred membership units are party to a Put/Call Agreement providing that the holders of preferred units may put such units to Chassis Holdings under certain circumstances and Chassis Holdings has the right to redeem such units under certain circumstances. Chassis Holdings will be required to make certain option payments to the holders of the preferred membership units in order to preserve its right to redeem such units. Dividends paid on the common units and distributions on the preferred units totaling \$3.1 million, \$2.9 million and \$3.1 million for the years ended December 31, 2004, 2003 and 2002, respectively, are included in minority interest (income)/expense, net in the accompanying Consolidated Statements of Income.

Chassis Distribution Agreement

In April 2003, we agreed to become a 50% owner through an initial investment of \$0.5 million of a limited liability company (the "LLC") formed with a foreign chassis manufacturer. The purpose of the LLC is to be the exclusive worldwide distributor of chassis built by this manufacturer and for us to share in the profits the LLC earns in selling these chassis to third parties. Under the terms of the Distribution agreement for this equipment, we have agreed to purchase at least 15,000 chassis at preferred pricing over a ten-year period, of which 5,651 chassis were purchased or ordered by us through December 31, 2004. We may elect to purchase additional equipment during the ten-year period at identical terms. The LLC began operations during the second quarter of 2003. We consolidate the financial statements of the LLC.

Share Repurchases

In December 2004, Warren L. Serenbetz (a former member of our Board of Directors) advised us that he intended to exercise 668,438 stock options which represented the remaining options issued to him under the terms of the 1993 Stock Option Plan. In addition, Mr. Serenbetz requested, and the Compensation Committee of the Board of Directors allowed him, to exercise these options on a cashless basis. These options had an exercise price of \$10.25 per share and the market value at the date he exercised his options was \$22.05 per share.

In connection with the cashless exercise feature, we withheld 310,725 shares with a market value of \$6.9 million representing the cost to Mr. Serenbetz of exercising these options. In addition, we withheld 110,086 shares with a market value of \$2.4 million representing the amounts advanced to Mr. Serenbetz for the payment of his minimum taxes related to the exercise. The remaining 247,627 shares were issued to Mr. Serenbetz.

The 420,811 shares withheld by the Company for the exercise price of the options and Mr. Serenbetz's minimum taxes have been recorded as treasury shares, at their market value at the date of exercise on the accompanying Consolidated Balance Sheets. The exercise also resulted in the issuance of 668,438 shares at a par value of \$.001 and increased additional paid-in-capital by \$6.9 million. In addition, since these options were granted to Mr. Serenbetz as compensation for services rendered, we are entitled to claim a tax deduction for non-employee compensation on our 2004 federal tax return. Since we did not recognize compensation expense on the grant or exercise of these options, the tax benefit (amounting to \$3.1 million) has been recorded as additional paid-in-capital at the time these options were exercised.

During 2002, we purchased 9,300 shares for an aggregate price of \$0.13 million. No shares were repurchased during 2003.

United States Federal Income Tax

We are subject to federal and state income taxes as a Subchapter "C" corporation under the Internal Revenue Code. Interpool, Trac Lease and other United States subsidiaries file a consolidated United States federal income tax return. This consolidated group is liable for federal income taxes on its worldwide income.

Personal Holding Company Issues. The federal income tax laws have two requirements for classifying a company as a personal holding company. We and our subsidiaries currently satisfy the first requirement, the ownership of more than 50% of the value of Interpool's stock by five or fewer individuals. Whether or not we or any of our subsidiaries satisfy the second requirement (that at least 60% of such corporation's adjusted ordinary gross income constitutes personal holding company income) will depend upon such corporation's income mix.

Based upon the operating results for 2004, we will not be considered a personal holding company for federal income tax purposes for 2004. If we or any of our subsidiaries were classified as a personal holding company for federal income tax purposes, in addition to our regular federal income tax liability, our undistributed personal holding company income (generally taxable income with certain adjustments, including a deduction for federal income taxes and dividends paid) would be subject to a personal holding company tax at the rate of 15%. Management anticipates that for the immediate future, our current level of dividends will be sufficient to avoid having any undistributed personal holding company income, and thus does not anticipate that any personal holding company tax will be imposed. There can be no assurance, however, that we will not at some point in the future become liable for personal holding company tax. Furthermore, we may at some point in the future elect to increase the dividend rate on our common stock in order to avoid personal holding company tax.

We have incurred certain losses from leasing activities that are characterized for tax purposes as "Suspended Passive Activity Losses." These losses can be carried forward indefinitely to offset income from future leasing activities. As of December 31, 2004, such suspended passive activity loss carryovers, including the passive activity loss carryovers of CAI, totaled approximately \$356.0 million.

Interpool Limited. Under certain circumstances, Interpool may be liable for United States federal income taxes on earnings of Interpool Limited and any other foreign subsidiaries of ours, whether or not such earnings are distributed to us. This would occur if Interpool Limited realized "Subpart F income" as defined in the Code, if it were deemed to be a foreign personal holding company, or if it were to have an increase in earnings invested in United States property.

Subpart F income includes foreign personal holding company income, such as dividends, interest and rents. Although a substantial portion of Interpool Limited's income consists of rents from container leasing activities, we believe that such rents are not Subpart F income because they are derived from the active conduct of a trade or business and received from unrelated persons. However, Interpool Limited has received some dividend and interest income in past years, which was taxed as Subpart F income.

If Interpool Limited were treated as a foreign personal holding company for any year, we would be taxed on the amount we would have received if Interpool Limited had distributed all its income to us as a dividend. However, based on the operating results for 2004, Interpool Limited will not be considered a foreign personal holding company for 2004. The American Jobs Creation Act of 2004 repealed the foreign personal holding company provisions beginning after December 31, 2004.

A parent company is also subject to taxation when a foreign subsidiary increases the amount of its earnings invested in United States property during any calendar year. We do not expect that Interpool Limited will invest any earnings in United States property.

No deferred U.S. Federal income taxes have been provided on the unremitted earnings of Interpool Limited since it is the Company's intention to indefinitely reinvest such earnings. At December 31, 2004, unremitted earnings of this subsidiary were approximately \$334.0 million. The deferred U.S. Federal Income taxes related to the unremitted earnings of this subsidiary would be approximately \$110.0 million, assuming these earnings are taxable at the U.S. statutory rate, net of foreign tax credits. We are now exploring the implications of the repatriation provision recently enacted by the American Jobs Creation Act of 2004, but we have not yet decided whether to repatriate any unremitted earnings.

United States/Barbados income tax convention. Interpool Limited's business is managed and controlled in Barbados; it also has a permanent establishment in the United States. Under the income tax convention between the United States and Barbados, including any protocols and amendments (the "pre-2005 Treaty"), any profits of Interpool Limited from leasing of containers used in international trade generally are taxable only in Barbados and not in the United States.

Interpool Limited has been entitled to the benefits of the Tax Convention for each year by satisfying the two-pronged test to the "limitation of benefits" provision: (1) more than 50% of the shares of Interpool Limited were owned, directly or indirectly, by any combination of individual United States residents or citizens (the "51% U.S. ownership test"), and (2) its income was not used in substantial part, directly or indirectly, to meet liabilities to persons who are not residents or citizens of the United States (the "base erosion test"). We believe Interpool Limited passed both of these tests and was eligible for the benefits of the pre-2005 Treaty through December 31, 2004. If Interpool Limited had ceased to be eligible for the benefits of the pre-2005 Treaty, a substantial portion of its income would become subject to the 35% United States federal income tax and the 30% branch profits tax.

The Tax Convention does not afford Interpool Limited any relief from the personal holding company tax or any other tax that may be imposed on the undistributed earnings of a Barbados corporation. However, based on the operating results for 2004, Interpool Limited will not be considered a foreign personal holding company and there will be no personal holding company tax for 2004. The American Jobs Creation Act of 2004 repealed the foreign personal holding company provisions beginning after December 31, 2004.

July 2004 Protocol to the United States and Barbados Tax Treaty. On July 14, 2004, the United States and Barbados signed a protocol to the pre-2005 Treaty which was ratified on December 20, 2004 ("post-2004 Treaty") that contains a more restrictive limitation on benefits provision than the pre-2005 Treaty. The post-2004 Treaty took effect on January 1, 2005 following its ratification by the United States Senate and the government of Barbados on December 20, 2004. Under the post-2004 Treaty, in addition to having to satisfy the 51% U.S. ownership and base erosion tests described above, Interpool Limited is only eligible for Treaty benefits with respect to its container rental and sales income if Interpool, Inc. is listed on a "recognized stock exchange" and Interpool, Inc.'s stock is "primarily" and "regularly" traded on such exchange.

During April 2004 Interpool, Inc. was de-listed by the New York Stock Exchange. During this de-listing, our common stock was traded on the over-the-counter market under the symbol IPLI. In December 2004, after making all delinquent SEC filings, we applied for relisting on the New York Stock Exchange. On January 13, 2005 our common stock was re-listed on the New York Stock Exchange; a "recognized stock exchange" within the meaning of the post-2004 Treaty. Interpool believes this listing and its current trading volume satisfies the "primarily" and "regularly" traded requirements of the post-2004 Treaty, and Interpool Limited qualified for benefits under the post-2004 Treaty on January 13, 2005. We have estimated there should be no U.S. current tax expense for the period January 1, 2005 to January 12, 2005.

Barbados tax returns. As a company resident in Barbados, Interpool Limited is required to file tax returns in Barbados and pay any tax liability to Barbados. However, no Barbados tax returns have been prepared or filed for Interpool Limited for any period subsequent to its 1997 tax year. We believe the failure to file these returns has not resulted in any material underpayment of taxes, interest or penalties (other than a normal late filing penalty), because we believe no material Barbados taxes would have been due for the years for which returns have not been filed. We

further believe Interpool Limited's failure to file these returns would not present any other material risk to Interpool. Preparation of these tax returns is currently in process, and it is our intent to submit them as promptly as practical.

State and Local Taxes

Income taxes. Interpool and Trac Lease are liable for state and local income taxes on their income, and Interpool Limited is liable for state and local income taxes on its earnings attributable to operations in the United States.

Sales tax To date, Interpool, Trac Lease and Interpool Limited generally have not paid sales taxes on their long-term leasing revenues to the states in which they conduct business because management has believed such revenues to be exempt from state sales taxes on several grounds, including a long-standing interpretation of the Commerce Clause of the United States Constitution that would prohibit the imposition of a tax on cargo containers and chassis used primarily for transportation of goods in interstate commerce or international trade. Under the terms of our equipment leases, in the event sales tax is imposed, we would generally be entitled to recover any such sales tax from our lessees. Interpool and Trac Lease do, however, collect and remit sales tax on their short-term chassis pool (intrastate) activity.

Inflation

Management believes that inflation has not had a material adverse effect on our results of operations. In the past, the effects of inflation on administrative and operating expenses have been largely offset through economies of scale achieved through expansion of the business.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use judgment in making estimates and assumptions that affect reported amounts of assets and liabilities, the reported amounts of income and expense during the reporting period and the disclosure of contingent assets and liabilities at the date of the financial statements. Management has identified the policies and estimates below as critical to our business operations and the understanding of our results of operations. For a detailed discussion on these and other significant accounting policies, see Note 1 to the Consolidated Financial Statements. These policies and estimates are considered critical due to the existence of uncertainty at the time the estimate is made, the likelihood of changes in estimates from period to period and the potential impact that these estimates can have on our financial statements. The following accounting policies and estimates include inherent risks and uncertainties related to judgments and assumptions made by management. Management's estimates are based on the relevant information available at the end of each period.

Allowance for Doubtful Accounts The allowance for doubtful accounts is set on a quarterly basis and is based on the risk profile of the receivables, credit quality indicators such as the level of past due amounts and non-performing accounts and economic conditions, as well as the value of underlying collateral. Changes in economic conditions or other events may necessitate additions or deductions to the allowance for doubtful accounts. The allowance is intended to provide for losses inherent in the accounts receivable, and requires the application of estimates and judgments as to the outcome of collection efforts and the realization of collateral, among other things.

Accounting for Leasing Equipment Long-lived assets are depreciated on a straight-line basis over their estimated useful lives to residual values that approximate fair value. Equipment useful lives are based upon actual experience in our fleet as well as the useful lives assigned to the equipment by independent appraisers. We continue to review our depreciation policies on a regular basis to evaluate if changes have taken place that would suggest that a change in the depreciation policies is warranted. Periodically a determination is made as to whether the carrying amount of the fleet exceeds its estimated future undiscounted cash flows. In addition, all idle equipment is evaluated to determine whether the units will be repaired and returned to service or sold based upon the best economic alternative. Assets to be disposed are reported at the lower of the carrying amount or fair value.

Lease Residual Values Operating lease equipment is carried at cost less accumulated depreciation and is depreciated to estimated residual values using the straight-line basis of depreciation over their estimated useful lives. Direct financing leases are recorded at the aggregated future minimum lease payments, including any bargain or economically compelled purchase options granted to the customer, less unearned income. We generally bear greater risk in operating lease transactions (versus direct financing lease transactions) due to redeployment costs and related risks that are avoided under a direct financing lease. Management performs annual reviews of the estimated residual values which can vary depending on a number of factors.

Goodwill Goodwill, in accordance with SFAS No. 142, Goodwill and Other Intangible Assets ("SFAS 142") is reviewed for possible impairment at least annually during the fourth quarter of each fiscal year. A review of goodwill may be initiated prior to conducting the annual analysis if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. During this review, management relies on a number of factors including operating results, business plans, economic projections, anticipated future cash flows and market place data.

Accounting for Customer Defaults We have sought to reduce credit risk by maintaining insurance against customer insolvency and equipment related losses. We cease the recognition of lease revenues for amounts billable to the lessee after the lease default date at the time we determine that such amounts are not probable of collection from the lessee. In connection with the accounting for the insurance policy, we record a receivable which is limited to the actual costs incurred or losses recognized that would have been billable to the lessee pursuant to the lease contract (which are also covered by the insurance contract). Items that are covered under the insurance contract, for amounts billable to the lessee in accordance with the lease, that are in excess of costs incurred and losses recognized by us, are considered a gain contingency.

Derivative Financial Instruments We utilize interest rate swaps to hedge against the effects of future interest rate fluctuations. We do not enter into derivative financial instruments for trading or speculative purposes.

On January 1, 2001, we adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"). Derivative instruments are included in the Consolidated Balance Sheet at their fair values in accounts payable and accrued expenses and changes in fair values are recognized immediately in earnings, unless the derivatives qualify as hedges of future cash flows. For derivatives qualifying as hedges of future cash flows, the effective portion of changes in fair value is recorded temporarily in accumulated other comprehensive loss as a separate component of equity, and contractual cash flows, along with the related impact of the hedged items, continue to be recognized in earnings. Any ineffective portion of a hedge is reported in current earnings. Amounts accumulated in other comprehensive loss are reclassified to earnings in the same period that the hedged transaction impacts earnings.

The net interest differential, including premiums paid or received, if any, on interest rate swaps, is recognized on an accrual basis as an adjustment to interest expense to correspond with the hedged position. We may, at our discretion, terminate or redesignate any interest rate swap agreement prior to maturity. At that time, any gains or losses on termination would continue to amortize into income to correspond to the recognition of interest on the hedged debt. If such debt instrument was also terminated, the gain or loss associated with the terminated derivative included in accumulated other comprehensive loss at the time of termination of the debt would be recognized in the Consolidated Income Statement at that time.

Warrant Valuation Our outstanding warrants are classified as a liability in accordance with EITF 00-19. Under the provisions of EITF 00-19, a contract designated as an asset or liability must be carried at fair value until the contract meets the requirements for treatment as equity, until the contract is exercised or until the contract expires. Accordingly, future changes to the fair market value of these Warrants have the potential to cause volatility in our future results. For the period of time that these Warrants are classified as a liability, any increase in the fair market value of the Warrants will result in an additional non-cash expense to the Consolidated Statements of Income. If the fair market value of the Warrants decreases in the future, we will record non-cash income in our Consolidated

Statements of Income. We estimate the fair value of our Warrants on a quarterly basis using a lattice model.

Income Taxes Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been reflected in the Consolidated Financial Statements. Deferred tax liabilities and assets are determined based on the differences between the book values and the tax basis of particular assets and liabilities, using tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided to offset any net deferred tax assets if, based upon the available evidence which may be subject to management estimates, it is more likely than not that some or all of the deferred tax assets will not be realized.

In certain situations, a taxing authority may challenge positions adopted in our income tax filings. We may apply a different tax treatment for these selected transactions in filing the tax return than for income tax financial reporting purposes. We regularly assess the tax positions for such transactions and include reserves for those differences in position. The reserves are utilized or reversed once the statute of limitations has expired or the matter is otherwise resolved. In addition, we believe the ultimate outcome of these matters will not have a material impact on the Company's financial condition or liquidity.

Through December 31, 2004 we claimed tax benefits under an income tax convention between the United States and Barbados ("pre-2005 Treaty"), the jurisdiction in which our subsidiary, Interpool Limited, operates our container business, is incorporated. Specifically, under the pre-2005 Treaty, any profits of Interpool Limited from leasing of containers used in international trade generally are taxable only in Barbados at an approximate 3% tax rate, and not in the United States. Interpool Limited was entitled to the benefits of the tax convention for each year that more than 50% of the shares of Interpool Limited were owned, directly or indirectly, by any combination of individual United States residents or citizens (the "51% U.S. ownership test") and its income was not used in substantial part, directly or indirectly, to meet liabilities to persons who were not residents or citizens of the United States (the "base erosion test"). We believe Interpool Limited passed both of these tests through December 31, 2004.

Historically, no deferred U.S. Federal income taxes have been provided on the unremitted earnings of the subsidiary since it is our past practice and future intention to permanently reinvest such earnings. We have documented our ability to reinvest earnings generated annually from our international operations. This documentation contains certain management judgments and estimates of economic conditions and the future demand for containers. Any unremitted earnings that we would be unable to reinvest in our international operations could be subject to taxation at United States tax rates. We are now exploring the implications of the repatriation provision contained in the American Jobs Creation Act of 2004, but we have not yet decided whether to repatriate any unremitted earnings.

On July 14, 2004, the United States and Barbados signed a protocol to the pre-2005 Treaty which was ratified on December 20, 2004 ("post-2004 Treaty") that contains a more restrictive limitation on benefits provision than the pre-2005 Treaty. The post-2004 Treaty took effect on January 1, 2005 following its ratification by the United States Senate and the government of Barbados on December 20, 2004. Under the post-2004 Treaty, in addition to having to satisfy the 51% U.S. ownership and base erosion tests described above, Interpool Limited is only eligible for Treaty benefits with respect to its container rental and sales income if Interpool, Inc. is listed on a "recognized stock exchange" and Interpool, Inc.'s stock is "primarily" and "regularly" traded on such exchange.

As described elsewhere in this report, on January 13, 2005 our common stock was listed on the New York Stock Exchange; a "recognized stock exchange" within the meaning of the post-2004 Treaty. Interpool believes this listing and its current trading volume satisfies the "primarily" and "regularly" traded requirements of the post-2004 Treaty, and that Interpool Limited qualified for benefits under the post-2004 Treaty on January 13, 2005. We have estimated there should be no U.S. current tax expense for the period January 1, 2005 to January 12, 2005.

Recent Accounting Pronouncements

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS 146"). SFAS 146 requires that a liability for costs associated with exit or disposal activities be recognized when the liability is incurred. Existing U.S. GAAP provides for the recognition of such costs at the date of management's commitment to an exit plan. In addition, SFAS 146 requires that the liability be measured at fair value and be adjusted for changes in estimated cash flows. The provisions of the new standard were effective for exit or disposal activities initiated after December 31, 2002. Adoption of SFAS 146 did not materially affect our Consolidated Financial Statements.

In November 2002, the FASB issued FASB Interpretation No. 45, *Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"). FIN 45 elaborates on the disclosures to be made by a guarantor in interim and annual financial statements about its obligations under certain guarantees it has issued. A guarantor is required to disclose (a) the nature of the guarantee, including the approximate term, how the guarantee arose, and the events and circumstances that would require the guarantor to perform under the guarantee; (b) the maximum potential amount of future payments under the guarantee; (c) the carrying amount of the liability, if any, for the guarantor's obligation under the guarantee; and (d) the nature and extent of any recourse provisions or available collateral that would enable the guarantor to recover the amounts paid under the guarantee. FIN 45 also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Disclosure requirements were effective for financial statements with periods ending after December 15, 2002 while the initial recognition and initial measurement provisions were to be applied on a prospective basis to guarantees issued or modified after December 31, 2002. We have adopted the provisions of FIN 45 as required. (See Note 8 to the Consolidated Financial Statements for disclosures regarding our guarantees.) The adoption of FIN 45 did not have a material impact on our Consolidated Financial Statements.

In December 2003, the FASB issued FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities* ("FIN 46R") which addresses how a business should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R revised FASB Interpretation No. 46 which was issued in January 2003. We adopted FIN 46R as of December 31, 2003. There was no impact on our financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity* ("SFAS 150"). This statement establishes standards for the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. The statement also includes required disclosures for financial instruments within its scope. Under the classification and disclosure provisions of this pronouncement, we were required to display the Company-Obligated Mandatorily Redeemable Preferred Securities in Subsidiary Grantor Trusts within the liability section on the face of the Consolidated Balance Sheets. (See Note 4 to the Consolidated Financial Statements for disclosures regarding our Company-Obligated Mandatorily Redeemable Preferred Securities.) Most of the guidance in SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. On November 7, 2003, certain provisions of SFAS 150, relating to mandatorily redeemable non-controlling interest, were deferred indefinitely. The adoption of SFAS 150 did not affect our financial conditions or results of operations.

In November 2003, the Emerging Issues Task Force ("EITF") issued EITF Issue No. 03-1, *The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments*. Issue No. 03-1 requires new tabular and narrative disclosure items effective for fiscal years ending after December 15, 2003. Companies are required to provide expanded information about their debt and marketable equity securities with market values below carrying values. The narrative information must include positive and negative information management considered in concluding the unrealized loss was not other-than-temporary and therefore was not recognized in earnings. For further discussion regarding unrealized holding losses, see Note 1 to the Consolidated Financial Statements.

In December 2004, the FASB published SFAS No. 123(R), *Share-Based Payment*, ("SFAS 123 (R)") which will be effective for periods beginning after June 15, 2005. We currently account for our stock option plans in accordance with SFAS No. 148, *Accounting for Stock-Based Compensation* ("SFAS 148"). This Statement amends SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), which allows for the retention of principles within Accounting Principles Board Opinion 25, *Accounting for Stock Issued to Employees* ("APB 25"). As permitted, we have chosen to continue to account for stock-based compensation using the intrinsic value method described in APB 25 and related interpretations. APB 25 generally requires compensation costs, if any, to be recognized for the difference between the exercise price and the market price of the underlying stock on the date of the grant. Alternatively, SFAS 123 employs fair value-based measurement and generally results in the recognition of compensation expense for all stock-based awards. The adoption of SFAS 123(R) will require the recognition of compensation expense for all share-based compensation. Based on the number of options currently outstanding, the adoption of SFAS 123(R) is not expected to have a significant impact on our financial condition or results of operations. However, all future grants of share-based compensation will result in the recognition of compensation expense.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

	Page No.
INTERPOOL, INC.	
	53
Report of Independent Registered Public Accounting Firm	54
Consolidated Balance Sheets--At December 31, 2004 (restated) and 2003 (restated)	
Consolidated Statements of Income For the Years Ended December 31, 2004 (restated), 2003 (restated) and 2002	55
Consolidated Statements of Changes in Stockholders' Equity For the Years Ended December 31, 2004 (restated), 2003 (restated) and 2002	56
Consolidated Statements of Cash Flows For the Years Ended December 31, 2004 (restated), 2003 (restated) and 2002	57
Notes to Consolidated Financial Statements	58

Report of Independent Registered
Public Accounting Firm

The Board of Directors
Interpool, Inc.:

We have audited the accompanying consolidated balance sheets of Interpool, Inc. (a Delaware corporation) and subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial

statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Interpool, Inc. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2004 in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 2002 the Company changed its method of accounting for (i) goodwill and (ii) the impairment or disposal of long-lived assets.

As discussed in Note 1(B) to the consolidated financial statements, the Company has restated its consolidated balance sheets as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders equity and cash flows for each of the years in the two year period ended December 31, 2004.

(signed) KPMG LLP

Short Hills, N.J.

March 28, 2005, except for Note 1(B) which is as of November 8, 2005

INTERPOOL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2004 AND 2003
(dollars in thousands, except share and per share amounts)

ASSETS	2004
	Restated

CASH AND CASH EQUIVALENTS (including restricted cash of \$24,927 and \$24,985 at December 31, 2004 and 2003, respectively)	\$309,458
MARKETABLE SECURITIES, available for sale at fair value	27
ACCOUNTS RECEIVABLE, less allowance of \$14,091 and \$16,358, respectively	72,598
NET INVESTMENT IN DIRECT FINANCING LEASES	363,445
OTHER RECEIVABLES, net	3,602
LEASING EQUIPMENT, net of accumulated depreciation and amortization of \$538,575 and \$522,431, respectively	1,579,196
OTHER ASSETS	75,760

TOTAL ASSETS	\$2,404,086
	=====
LIABILITIES	
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$127,057
WARRANT LIABILITY	71,722
INCOME TAXES:	
Current	1,915
Deferred	46,367

TOTAL TAXES	48,282
DEFERRED INCOME	2,018
DEBT AND CAPITAL LEASE OBLIGATIONS	
Due within one year	240,553
Due after one year	1,477,645
	=====
TOTAL DEBT AND CAPITAL LEASE OBLIGATIONS	1,718,198
TOTAL LIABILITIES	\$1,967,277

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MINORITY INTEREST IN EQUITY OF SUBSIDIARIES	39,786	

STOCKHOLDERS' EQUITY		
Preferred stock, par value \$.001 per share; 1,000,000 authorized, none issued	---	
Common stock, par value \$.001 per share; 100,000,000 shares authorized, 28,278,759 and 27,602,452 issued at December 31, 2004 and 2003, respectively	28	
Additional paid-in capital	145,112	
Unamortized deferred compensation	(554)	
Treasury stock, at cost, 646,711 and 225,900 shares at December 31, 2004 and 2003, respectively	(11,508)	
Retained earnings	269,694	
Accumulated other comprehensive loss	(5,749)	

TOTAL STOCKHOLDERS' EQUITY	397,023	

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,404,086	
	=====	

The accompanying notes to the Consolidated Financial Statements are an integral part of these statements.

INTERPOOL, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002 *(dollars and shares in thousands)*

	2004 Restated	2003 Restated	
	-----	-----	
REVENUES:			
Equipment leasing revenue, including income recognized on direct financing leases of \$41,659, \$46,362 and \$36,246, respectively	\$388,183	\$374,287	\$3
Other revenue	16,204	27,825	
	-----	-----	
TOTAL REVENUES	404,387	402,112	3
	-----	-----	
COSTS AND EXPENSES:			
Lease operating expenses	95,332	108,465	
Administrative expenses	49,943	55,052	
Provision for doubtful accounts	1,476	4,248	
Fair value adjustment for derivative instruments	(1,511)	(1,756)	
Fair value adjustment for warrants	49,222	---	
Depreciation and amortization of leasing equipment	89,458	87,498	
Impairment of leasing equipment	4,610	9,049	
(Income)/loss for investments accounted for under the equity method	(416)	1,698	
Other (income)/expense, net	(15,686)	(5,079)	
Gain on insurance settlement	(6,267)	---	
Interest expense	112,013	106,688	1
Interest income	(3,390)	(3,960)	
	-----	-----	
TOTAL COST AND EXPENSES	374,784	361,903	3
	-----	-----	
Income before minority interest expense and provision/(benefit) for income taxes	29,603	40,209	
MINORITY INTEREST EXPENSE	(8,372)	(1,910)	
	-----	-----	
Income before provision/(benefit) for income taxes	21,231	38,299	
PROVISION/(BENEFIT) FOR INCOME TAXES	13,362	803	
	-----	-----	
NET INCOME	\$7,869	\$37,496	
	=====	=====	
INCOME PER SHARE			
NET INCOME PER SHARE:			
Basic	\$0.29	\$1.37	
	=====	=====	
Diluted	\$0.27	\$1.30	

WEIGHTED AVERAGE SHARES OUTSTANDING (in thousands):	=====	=====
Basic	27,380	27,365
	=====	=====
Diluted	28,960	28,935
	=====	=====

The accompanying notes to the Consolidated Financial Statements are an integral part of these statements.

INTERPOOL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002
(dollars and shares in thousands)

	Common Stock		Additional	Unamortized	Treasury	Retained	Acum.
	Outstanding	Par	Paid-in	Deferred	Stock	Earnings	Other
	Shares	Value	Capital	Compensa			Comp.
	-----	-----	-----	tion	-----	-----	Income
	-----	-----	-----	-----	-----	-----	(Loss)
	-----	-----	-----	-----	-----	-----	-----
BALANCE, December 31, 2001 as previously reported	27,355	\$28	\$124,182	\$---	\$(2,099)	\$239,065	\$(9,907)
Adjustment (see Note 1)	---	---	---	---	---	803	---
BALANCE, December 31, 2001, as adjusted	27,355	28	124,182	---	(2,099)	239,868	(9,907)
Net income	---	---	---	---	---	4,389	---
Other comprehensive loss	---	---	---	---	---	---	(15,091)
Comprehensive loss							---
Purchase of 9,300 shares of treasury stock	---	---	---	---	(130)	---	---
Capital contribution by officers and directors	---	---	1,983	---	---	---	---
Cash dividends declared:							
Common stock, \$.2275 per share	---	---	---	---	---	(6,227)	---
BALANCE, December 31, 2002	27,355	28	126,165	---	(2,229)	238,030	(24,998)
Net income (Restated)	---	---	---	---	---	37,496	---
Other comprehensive income (Restated)	---	---	---	---	---	---	10,110
Comprehensive income (Restated)							---
Capital contribution by officers and directors	---	---	698	---	---	---	---
Options exercised	22	---	351	---	---	---	---
Restricted stock award	---	---	1,324	(1,324)	---	---	---
Amortization of restricted stock award	---	---	---	140	---	---	---
Intrinsic value of option							

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modification (Restated)	---	---	7,091	---	---	---	---
Cash dividends declared:							
Common stock, \$.25 per share	---	---	---	---	---	(6,405)	---
BALANCE, December 31, 2003 (Restated)	27,377	\$28	\$135,629	\$(1,184)	\$(2,229)	\$269,121	\$(14,888)
Net income (Restated)	---	---	---	---	---	7,869	---
Other comprehensive income (Restated)	---	---	---	---	---	---	9,139
Comprehensive income							
Restricted stock award	2	---	371	(371)	---	---	---
Amortization of restricted stock award	---	---	---	85	---	---	---
Forfeitures restricted stock award	---	---	(1,017)	916	---	---	---
Options exercised (See Note 14)	248	---	10,006	---	(9,279)	---	---
Stock grant	5	---	123	---	---	---	---
Cash dividends declared:							
Common stock, \$0.25 per share	---	---	---	---	---	(7,296)	---
BALANCE, December 31, 2004 (Restated)	27,632	\$28	\$145,112	\$(554)	\$(11,508)	\$269,694	\$(5,749)

The accompanying notes to the Consolidated Financial Statements are an integral part of these statements.

INTERPOOL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002
(dollars in thousands)

	2004	2003
	(Restated)	(Restated)
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$7,869	\$37,496
Adjustments to reconcile net income to net cash provided by operating activities --		
Depreciation and amortization	97,123	94,210
Impairment of leasing equipment	4,610	9,049
Amortization of debt discount	506	---
Accrued losses on business transferred under contractual agreement	---	---
Provision/(benefit) for deferred income taxes	11,124	(670)
(Gain)/loss on sale of leasing equipment	(14,743)	(1,213)
Loss on sale of marketable securities	---	50
Gain on sale of land held for sale	---	---
Provision for uncollectible accounts	1,476	4,248
Gain on retirement of debt	---	---
Restricted stock grant expense	85	140
Option modification compensation expense	---	7,091
Fair value adjustment for derivative instruments	(1,511)	(1,756)
Fair value adjustment for warrants	49,222	---

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(Income)/losses for investments accounted for under the equity method	(416)	1,698
Gain on settled insurance litigation	(6,267)	---
(Increase)/decrease in accounts receivable	(3,619)	(9,351)
Decrease (increase) in other receivables	26,610	(194)
(Increase)/decrease in other assets	(11,342)	1,701
(Decrease)/increase in accounts payable and accrued expenses	(5,801)	7,834
Increase/(decrease) in income taxes payable	1,488	(436)
Other, net	3,915	140
	-----	---
Net cash provided by operating activities	160,329	150,037
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of leasing equipment	(206,613)	(237,521)
Proceeds from dispositions of leasing equipment	153,058	54,386
Proceeds from sale of land	---	---
Investment in direct financing leases	(43,708)	(109,254)
Cash collections on direct financing leases	88,939	77,793
Purchase of marketable securities	---	(10)
Sales and matured marketable securities and other investing activities	---	1,445
Investment in and advances to subsidiary	---	---
Proceeds from minority interest partner in chassis distributor	---	500
Net cash used for investing activities	(8,324)	(212,661)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of debt	627,296	211,813
Payment of long-term debt and capital lease obligations	(387,296)	(204,229)
Borrowings of revolving credit lines	30,500	88,000
Repayment of revolving credit lines	(245,995)	(56,505)
Purchase of treasury stock	---	---
Dividends paid	(8,071)	(6,049)
	-----	-----
Net cash provided by financing activities	16,434	33,030
	-----	-----
Net increase/(decrease) in cash and cash equivalents	168,439	(29,594)
CASH AND CASH EQUIVALENTS, beginning of period	141,019	170,613
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$309,458	\$141,019
	=====	=====
Supplemental schedule of non-cash investing activities:		
Direct financing lease financed through capital lease obligation	---	\$4,397
Transfers from leasing equipment to direct financing leases	\$24,449	\$25,775
Transfer from direct financing leases to leasing equipment	\$12,546	\$3,651
Exercise of stock option on a cashless basis	\$727	---

The accompanying notes to the Consolidated Financial Statements are an integral part of these statements.

INTERPOOL, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Nature of operations, significant accounting policies and restatement:

A. Nature of operations and significant accounting policies

The nature of operations and the significant accounting policies used by Interpool, Inc. and subsidiaries (the "Company" or "Interpool") in the preparation of the accompanying consolidated financial statements are summarized below. The Company's accounting records are maintained in United States dollars and the consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Nature of operations

The Company and its subsidiaries conduct business principally in a single industry segment, the leasing of intermodal dry freight standard containers, chassis and other transportation related equipment. Within this single industry segment, the majority of the Company's operations come from two reportable segments: container leasing and domestic intermodal equipment leasing. The container leasing segment specializes primarily in the leasing of intermodal dry freight standard containers, while the domestic intermodal equipment segment specializes primarily in the leasing of intermodal container chassis. The Company leases its containers principally to international container shipping lines located throughout the world. The customers for the Company's chassis are a large number of domestic companies, many of which are domestic subsidiaries or branches of international shipping lines, as well as major U.S. railroads. Equipment is purchased directly or acquired through conditional sales contracts and lease agreements, many of which qualify as capital leases.

The Company's container leasing operations are primarily conducted through our wholly-owned subsidiary, Interpool Limited, a Barbados corporation, as well as CAI, our 50% owned consolidated subsidiaries. Profits of Interpool Limited from international container leasing operations are exempt from federal taxation in the United States. These profits are subject to Barbados tax at rates that are substantially lower than the applicable rates in the United States.

The Company also had limited operations in a third reportable segment that specialized in leasing microcomputers and related equipment. The computer leasing segment consisted of two majority owned subsidiaries, Microtech Leasing Corporation ("Microtech") and Personal Computer Rental Corporation ("PCR"). During the third quarter of 2001, the Company adopted a plan to exit this segment. The Company liquidated the assets of Microtech as of March 31, 2004. PCR ceased active operations and began to liquidate in the first quarter of 2003. At March 31, 2004, all of the assets of PCR were liquidated.

Beginning June 27, 2002, the Company's consolidated financial statements include Container Applications International, Inc. ("CAI"), which was previously accounted for under the equity method of accounting. The Company owns a 50% common equity interest in CAI. (See Note 11 for further information regarding CAI.)

Basis of consolidation

The Company's consolidated financial statements are prepared in accordance with U.S. GAAP. The consolidated financial statements include the accounts of the Company and subsidiaries more than 50% owned or otherwise controlled by the Company. All significant intercompany transactions have been eliminated. Minority interest in equity of subsidiaries represents the minority stockholders' proportionate share of the equity in the income of the subsidiaries.

In connection with certain investments in which the Company does not own a majority interest but has the ability to assert significant influence over the investee, these investments are accounted for using the equity method of accounting. The Company's investment in its equity method investees is included in other assets on the accompanying Consolidated Balance Sheet.

Goodwill

On June 29, 2001, the FASB approved its proposed SFAS No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual value, and reviewed for impairment in accordance with SFAS No. 144, Accounting for the Impairment of Long-Lived Assets to Be Disposed Of ("SFAS 144").

Commencing January 1, 2002, as a result of adopting SFAS 142, goodwill is no longer amortized but is reviewed for impairment. During December 2002, the Company conducted its annual goodwill impairment test. The test disclosed that at December 31, 2002 the fair value of an investment accounted for using the equity method included in the domestic intermodal leasing segment was below its carrying value. As a result, the Company's basis for this equity method investment was written down by \$1,095 to its estimated fair market value. During December 2003 and 2004, the Company conducted its annual goodwill impairment tests. The tests disclosed that at both December 31, 2003 and 2004, the implied fair value of the goodwill was in excess of its carrying value, therefore additional impairment charges were not required. Total goodwill recorded at December 31, 2004 and 2003 was \$5,495 for both years and is included in other assets on the accompanying Consolidated Balance Sheet. This goodwill is included in total assets within the Domestic Intermodal Leasing segment.

Translation of foreign currencies

The Company has determined that the U. S. dollar is its functional currency for each of its overseas operations therefore, all gains and losses resulting from translating foreign currency transactions into the functional currency are included in income.

Revenues

Equipment leasing revenues include revenue from operating leases and income on direct financing leases, which is recognized over the term of the lease using the effective interest method. Rental income on operating leases is recognized on the accrual basis based on the contractual agreement with the lease customer.

Other revenue consists primarily of fees charged to the lessee for handling, delivery and repairs which is recognized as earned based on the terms of the contractual agreements with the lease customer.

Maintenance and repair expense

Maintenance and repair expenses are accounted for under the direct expense method; thus these amounts are charged to operating expenses when incurred.

Cash and cash equivalents

The Company considers investments with original maturities of three months or less to be cash equivalents. The Company's policy is to invest cash in excess of short-term operating and debt service requirements in cash equivalents. These instruments are stated at cost, which approximates market value because of the short-term nature of the instruments.

Allowance for doubtful accounts

The Company's allowance for doubtful accounts is provided based upon a quarterly review of the collectibility of its receivables. This review is based on the risk profile of the receivables, credit quality indicators such as the level of past-due amounts and economic conditions, as well as the value of underlying collateral. An account is considered past due when a payment has not been received in accordance with the contractual terms. Accounts are generally charged off after an analysis is completed which indicates that collection of the full principal balance is in doubt. Changes in economic conditions or other events may necessitate additions or deductions to the allowance for doubtful accounts. The allowance for doubtful accounts is intended to provide for losses inherent in the accounts receivable, and requires the application of estimates and judgments as to the outcome of collection efforts and the realization of collateral, among other things. The Company believes its allowance for doubtful accounts is adequate to provide for credit losses inherent in its accounts receivable. See Note 3 to the Consolidated Financial Statements for further discussion regarding the allowance for doubtful accounts.

Non-performing receivables

Non performing receivables reflect both operating lease receivables and direct financing lease receivables which the Company considers impaired. When evaluating its operating and direct financing lease receivables for impairment, the Company considers, among other things, the level of past-due amounts of the respective receivable, the borrower's financial condition, credit quality indicators of the borrower, and the value of underlying collateral.

Direct financing leases

Direct financing leases are recorded at the aggregate future minimum lease payments, including any purchase options granted to the customer, less unearned income. Income from these leases is recognized over the term of the lease using the effective interest method.

Stock-based compensation

Stock option plans are accounted for in accordance with SFAS No. 148, Accounting for Stock-Based Compensation ("SFAS 148"). This Statement amends SFAS No. 123, Accounting for Stock-Based Compensation ("SFAS 123"), which allows for the retention of principles within Accounting Principles Board Opinion 25, Accounting for Stock Issued to Employees. As permitted by the Statement, the Company has chosen to continue to account for stock-based compensation using the intrinsic value method. To date, all options were granted with an exercise price equal to the market price of the Company's stock at grant date.

The following table illustrates the effect on net income and earnings per share had the fair value method of accounting been applied to the Company's stock compensation plans.

	Year Ended December 31,		
	2004	2003	
	-----	-----	
	(Restated)	(Restated)	
	-----	-----	
Net income, as reported	\$7,869	\$37,496	\$4
Add: Stock based employee compensation expense included in net income, net of related tax effects	1,463	4,637	
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,503)	(5,380)	
Pro forma net income	\$7,829	\$36,753	\$4
Earnings per share:			
Basic-as reported	\$0.29	\$1.37	\$
Basic-pro forma	\$0.29	\$1.34	\$
Diluted-as reported	\$0.27	\$1.30	\$
Diluted-pro forma	\$0.27	\$1.27	\$

The average fair value of options granted during 2004 was \$9.76 per option. The fair value was estimated using the Black-Scholes Option pricing model based on the market price at Grant Date of \$22.05 and the following assumptions: risk-free interest rate of 3.57%, expected life of 7 years, volatility of 45% and dividend yield of 1.44%. No Options were granted by the Company in 2003.

During the third quarter of 2005, the Company determined that it had not recorded the full amount of compensation expense required by U.S. generally accepted accounting principles ("GAAP") with respect to a separation agreement with Mr. Raoul Witteveen, its former President, which was entered into in connection with Mr. Witteveen's resignation in October 2003. The separation agreement between the Company and Mr. Witteveen contained a provision under which Mr. Witteveen's fully vested stock options, which had a five year remaining term at the time of his resignation, would instead expire two years after his resignation and therefore would not be subject to a provision of the Company's 1993 Stock Option Plan under which vested options terminate if not exercised within ten business days after resignation. In the 2003 Consolidated Financial Statements, the Company should have re-measured the intrinsic value of the options (the difference between the market price of the underlying common stock and the exercise price of the options) at the date of the modification and recorded the intrinsic value of the options as additional compensation expense (non-cash) in the fourth quarter of 2003. As a result, the Company's Consolidated Financial Statements have been restated for the years ended 2003 and 2004. See Note 1(B) for further discussion of this restatement. The modification to these vested stock options resulted in the recognition of compensation expense of \$7,091. The fair value of these fully vested options as modified on October 9, 2003 was \$8,214 or approximately \$7.21 per option. These values are reflected in the above chart in 2003, net of tax. The fair value was estimated using the Black-Scholes Option pricing model based on the market price at the new measurement date of \$16.47 and the following assumptions: risk-free interest rate of 1.75%, expected life of 2 years, volatility of 47% and dividend yield of 1.58%.

The average fair value of options granted during 2002 was \$6.66 per option. The fair value was estimated using the Black-Scholes Option pricing model based on the market price at Grant Date of \$13.73 and the following assumptions: risk-free interest rate of 3.5%, expected life of 7 years, volatility of 50% and dividend yield of 1.31%.

Insurance receivables

The Company has maintained insurance coverage in the event of a lessee's insolvency, bankruptcy or default. Amounts recorded as an insurance claim receivable are included in other receivables, net at December 31, 2003 in the Consolidated Balance Sheets and are limited to those amounts that are probable of collection and include only incurred costs and losses related to the insurable event. There are no insurance receivables at December 31, 2004. Amounts recorded as insurance claim receivable are recorded in other (income)/expense, net in the Consolidated Statements of Income. Upon collection of the receivable from the insurance carriers, any amounts in excess of or less than the receivable recorded would be recorded as gain or loss on insurance settlement in the Consolidated Statements of Income.

Property and equipment

The Company records property and equipment at cost, except for property and equipment that has been impaired, for which the Company reduces the carrying amount to the estimated fair value at the impairment date. Property and equipment is included in other assets on the accompanying Consolidated Balance Sheet. The Company capitalizes significant improvements; the Company charges repairs and maintenance costs that do not extend the lives of the assets to expense as incurred. The Company removes the cost and accumulated depreciation of assets sold or otherwise disposed of from the accounts and recognizes any resulting gain or loss upon the disposition of the assets.

The Company depreciates the cost of property and equipment over their estimated useful lives on a straight-line basis as follows: buildings 40 years; furniture and fixtures 3 to 7 years; computers and office equipment 3 to 5 years; and other property and equipment 3 to 10 years.

Leasing equipment

The Company records equipment at cost, except for equipment that it considers impaired. When equipment is considered impaired, the Company reduces the carrying amount to the equipment's estimated fair value at the

impairment date. The Company capitalizes significant improvements if such improvements extend the life of the equipment. The Company charges repair and maintenance costs that do not extend the lives of the assets to expense as incurred. Upon disposition of equipment, the Company removes the cost and accumulated depreciation of assets disposed of from the accounts and recognizes any resulting gain or loss.

Depreciation and amortization of leasing equipment (both equipment on-lease to customers and available for hire) is provided under the straight-line method based upon the following estimated useful lives:

Dry freight standard containers	12.5 years
Chassis	17.5 to 22.5 years
Other	15 years

In March 2002, the Company completed a \$500,000 chassis securitization facility. At that time, independent appraisals indicated a chassis useful life of between 20 and 25 years. As a result, effective April 1, 2002, the Company revised its estimate of the useful life of certain of its chassis from 17.5 years to 22.5 years. The effect of this change was to decrease depreciation expense by \$6,866 (\$4,120 net of tax) for the year ended December 31, 2002 which resulted in a \$0.15 and \$0.14 increase in the basic and diluted net income per share, respectively. The valuations and in-depth review concluded that no change was required to the residual value of the Company's chassis.

CAI, the Company's 50% owned subsidiary, had an independent valuation performed on its container fleet to determine the useful life of the containers as well as the estimated market value at the end of their useful life. As a result, effective April 1, 2002, the Company adjusted the useful life for all of its containers to 12.5 years (previously 12.5 to 15 years) and changed its residual values to the estimated market value of the containers as determined by the appraisal. The effect of these changes for the year ended December 31, 2002 was to decrease depreciation expense of the Company by \$489. In addition, the Company recognized additional depreciation recorded by CAI prior to June 27, 2002 of \$626 that was recorded by the Company in loss for investments accounted for under the equity method. The net effect of all these changes increased net income by \$51 for the year ended December 31, 2002 considering the Company's 50% common equity interest in CAI.

Gains or losses resulting from the disposition of leasing equipment are recorded in the year of disposition. These amounts are recorded in other (income)/expense, net on the Consolidated Statement of Income.

In August 2001, the FASB approved its proposed SFAS No. 144, Accounting for the Impairment or Disposal of Long Lived Assets ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances occur measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. SFAS 144 requires companies to separately report discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sales, abandonment, or in a distribution to owners) or is classified as held for sale. Assets to be disposed are reported at the lower of the carrying amount or fair value less costs to sell. The Company adopted SFAS 144 on January 1, 2002. During the first quarter of 2002, the Company evaluated the carrying value of its long-lived assets as prescribed by SFAS 144. The adoption of this statement in the first quarter of 2002 did not result in an adjustment to our Consolidated Financial Statements.

At December 31, 2004, 2003 and 2002, the Company performed a review of its container and chassis fleets in order to determine whether these assets are impaired in accordance with SFAS 144. The container fleet is reported within the container leasing segment, while the chassis are reported within the domestic intermodal equipment segment. This review indicated that there was no impairment to the fleet with the exception of specific units that were idle, some of which were badly damaged, and other specific units with design flaws. The Company performed a review of this equipment to determine whether the units would be repaired and returned to service or sold based upon the best

economic alternative for the Company. This determination was based on the condition of the unit, its location and the resale market within that location. All units identified for sale were then written down, if required, to estimated net realizable value. The measurement of an impairment loss requires a determination of fair value, which is based on the best information available. The Company uses market prices of similar equipment when available and the estimated residual value of a used chassis within the remanufacturing process to determine fair value. For the years ended December 31, 2004, 2003 and 2002, the impairment loss on chassis and containers (excluding CAI) was \$4,335, \$8,059 and \$8,784, respectively. Impairment amounts are recorded in impairment of leasing equipment on the accompanying Consolidated Statements of Income.

During the years ended December 31, 2004, 2003 and 2002, CAI performed a review of its container fleet in order to determine whether these assets were impaired in accordance with SFAS 144. The container fleet is reported in the container leasing segment. The loss was calculated by comparing the equipment's net book value to the estimated realizable value of the equipment. The total impairment loss recorded by CAI at December 31, 2004 was \$275 which reduced income before taxes by \$138 after taking into account the Company's 50% minority interest adjustment. This compares to an impairment loss at December 31, 2003 of \$990 which reduced income before taxes by \$495 after taking into account the Company's 50% minority interest adjustment. The total impairment loss at December 31, 2002 was \$4,231. The Company's 50% share of this loss is \$2,115 of which \$1,732 was recognized by CAI before June 27, 2002 and was recorded by the Company in loss for investments accounted for under the equity method. In addition \$766 of additional depreciation was recognized by CAI after June 27, 2002 which reduced income before taxes by \$383 after taking into account the Company's 50% minority interest adjustment.

Marketable and other investment securities

Management has determined that all securities are to be held for an indefinite period of time and classified as securities available-for-sale carried at market value. Unrealized holding gains and losses for available-for-sale securities are credited (charged) to a component of stockholders' equity net of related income taxes. Management determines the appropriate classifications of securities at the time of purchase.

Premium and discount on securities are included in interest income over the period from acquisition to maturity using the level-yield method. The specific identification method is used to record gains and losses on security transactions.

Through September 30, 2003, the Company classified its retained interest in the off-balance sheet direct financing lease securitization completed in March 1999 as an available-for-sale security in the Consolidated Balance Sheets. Effective October 1, 2003, a customer elected to return a portion of the equipment covered by a direct financing lease which had been included in the lease securitization program. This equipment was subsequently leased to another customer under the terms of an operating lease agreement. As such, the lease could no longer be considered a financial asset and the Securitization Trust special purpose entity could no longer be treated as an off-balance sheet qualified special purpose entity for accounting purposes. Therefore, effective October 1, 2003, the Company consolidated the assets and liabilities of this special purpose entity. For further information regarding the lease securitization program and the consolidation of this special purpose entity, see Note 7 to the Consolidated Financial Statements. Impairment losses of \$134 for the year ended December 31, 2002, were recorded and included in the accompanying Consolidated Income Statements based upon management's analysis of projected cash flows of the underlying direct financing lease receivables in the Securitization Trust.

During the year ended December 31, 2004, no sales of available-for-sale securities took place. During the year ended December 31, 2003, sale of available-for-sale securities resulted in proceeds of \$1,445, and gross losses of \$50. During the year ended December 31, 2002, sales of available-for-sale securities resulted in proceeds of \$574, gross gains of \$5, and gross losses of \$35.

The amortized cost and estimated fair value of available for sale securities as of December 31, 2004 and 2003 are as follows:

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	Amortized Cost	Gross Unrealized		Estimated Fair Value
	-----	Holding Gains	Holding Losses	-----
2004				

Marketable Securities	\$24	\$3	\$---	\$27
	===	==	====	===
2003				

Marketable Securities	\$24	\$--	\$---	\$24
	===	===	====	===

Comprehensive income/(loss)

Comprehensive income/(loss) consists of net income for the current period and gains and losses that have been previously excluded from the income statement and were only reported as a component of equity.

The tax effect of other comprehensive income/(loss) is as follows:

	Before Tax Amount	Tax Effect
	-----	-----
Year Ended December 31, 2004 (Restated)		
Unrealized holding gains arising during the period:		
Marketable securities	\$3	\$ (1)
Cumulative foreign currency translation adjustment	88	(32)
Swap agreements	12,941	(3,860)
	\$13,032	\$ (3,893)
	=====	=====
	Before Tax Amount	Tax Effect
	-----	-----
Year Ended December 31, 2003 (Restated)		
Unrealized holding gains arising during the period:		
Marketable securities (1) (2)	\$83	\$ (29)
Cumulative foreign currency translation adjustment	71	(25)
Swap agreements	14,351	(4,341)
	\$14,505	\$ (4,395)
	=====	=====

- (1) Amounts are net of losses on sales of marketable securities of \$50 (before income tax effect of \$2) recognized in the income statement.
- (2) Amounts are net of a realized loss of \$44 (before income tax effect of \$18) considered permanent and recognized in the income statement.

	Before Tax Amount	Tax Effect
	-----	-----
Year Ended December 31, 2002		
Unrealized holding losses arising during the period:		
Marketable securities (3)	\$ (40)	\$14

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Other investment securities (4)	(304)	15
Cumulative foreign currency translation adjustment	(66)	23
Swap agreements	(23,436)	8,703
	-----	-----
	\$ (23,846)	\$8,755
	=====	=====

- (3) Amounts are net of losses on sales of marketable securities of \$30 (before income tax effect of \$12) recognized in the income statement.
- (4) Amounts are net of impairments of \$134 (before income tax effect of \$5) recognized in the income statement.

The components of accumulated other comprehensive loss, net of taxes, are as follows:

	December 31,	
	2004	2003 (Restated)
	-----	-----
Marketable securities	\$2	\$---
Cumulative foreign currency translation adjustment	59	3
Swap agreements	(5,810)	(14,891)
	-----	-----
	\$ (5,749)	\$ (14,888)
	-----	-----

Fair value of financial instruments

Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments* ("SFAS 107") requires disclosure of the estimated fair value of the Company's financial instruments, excluding leasing transactions accounted for under Statement of Financial Accounting Standards No. 13, *Accounting for Leases* ("SFAS 13"). The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. Estimated fair values have been determined using the best available data and estimation methodology suitable for each category of financial instrument. The estimation methodologies used to estimate the fair values and recorded book balances of the Company's financial instruments at December 31, 2004 and 2003 are as follows:

Cash and cash equivalents

For such short-term investments, the carrying value is considered to be a reasonable estimate of fair value.

Marketable securities

For marketable securities in the Company's portfolio, fair value was determined by reference to quoted market prices, when available.

Accounts receivable

The carrying value of accounts receivable is considered to be a reasonable estimate of fair value based on their short-term nature.

Accounts payable and accrued expenses

The carrying value of accounts payable and accrued expenses is considered to be a reasonable estimate of fair value based on their short-term nature.

Interest rate swaps

Interest rate swap contracts are included in accounts payable and accrued expenses on the Consolidated Balance Sheets. The estimated fair value (which is also the recorded book value) is calculated externally using market data taking into account current market rates.

Warrant liability

The warrants issued by the Company during September 2004, are classified as a liability on the Consolidated Balance Sheets. The estimated fair value of this liability (which is also the recorded book value) is calculated quarterly using external market data. Assuming that the warrants are not exercised or expired, the warrants will continue to be classified as a liability until certain conditions set forth in applicable accounting literature (specifically, ETIF 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*) are satisfied, at which time the value of the warrants will be reclassified to stockholders' equity.

Debt and capital securities

The fair value of the Company's debt and capital securities was based on quoted market prices where available. For those borrowings with floating interest rates, it is presumed their estimated fair value generally approximates their carrying value. The fixed-rate debt instruments, where quoted market prices were not available, were valued using a present value discounted cash flow analysis with a discount rate approximating current market rates of similar term debt at the end of the year. The discount rates used in the present value calculations ranged from 5.20% to 5.86% at December 31, 2004 and 4.75% to 5.02% at December 31, 2003.

	December 31, 2004		December 31, 2003	
	Estimated Fair Value	Recorded Book Balance	Estimated Fair Value	Recorded Book Balance
Financial Assets:				
Cash and cash equivalents	\$309,458	\$309,458	\$141,019	\$141,019
Marketable securities	27	27	24	24
Accounts receivable	72,598	72,598	69,055	69,055
Financial Liabilities:				
Accounts payable and accrued expenses (excluding interest rate swap contracts)	107,312	107,312	164,036	164,036
Interest rate swap contracts	19,745	19,745	34,026	34,026
Warrant liability	71,722	71,722	---	---
Debt	922,568	915,741	904,273	904,273
Capital securities	66,375	75,000	68,813	68,813

Concentration of Credit risk

At both December 31, 2004 and 2003, approximately 47% of accounts receivable and 70% of the net investment in direct financing leases were from customers outside of the United States.

In 2004, 2003 and 2002 the Company's top 25 customers represented approximately 75%, 74% and 71%, respectively, of its consolidated billings, with no single customer accounting for more than 8.2% in any year.

Net income per share

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Basic net income per share is computed by dividing net income by the weighted average number of shares outstanding during the period (which is net of treasury shares). Diluted income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The dilutive effect of stock options and warrants and the unvested portion of restricted stock grants is computed using the treasury stock method, which assumes the repurchase of common shares at the average market price for the period. Stock options and warrants that do not have a dilutive effect (because the exercise price is above the market price) are not included in the diluted income per share. For the year ended December 31, 2004 (using the treasury stock method) warrants to purchase 76,052 shares and options to purchase 905 shares were not dilutive and were not included in diluted earnings per share. For the years ended December 31, 2003, and 2002, all stock options to acquire common shares were dilutive. There were no warrants outstanding during the year ended December 31, 2003 and 2002. Unvested restricted stock grants were dilutive for the years ended December 31, 2004 and 2003. See Note 14 to the Consolidated Financial Statements. There were no unvested restricted stock grants outstanding during the year ended December 31, 2002. For the years ended December 31, 2004, 2003 and 2002, the convertible redeemable subordinated debentures issued by the Company in December 2002, January 2003, and February 2003 (convertible into 1,487,285, 1,460,461 (as restated) and 17,599 shares, respectively) were not dilutive and were not included in diluted earnings per share. For further discussion of the debt characteristics of the convertible redeemable subordinated debentures, see Note 4 to the Consolidated Financial Statements.

A reconciliation of the numerator and denominator of basic EPS with that of diluted EPS is presented below:

	Year Ended December 31,		
	2004 ----- (Restated) -----	2003 ----- (Restated) -----	2002 -----
Numerator			
Net Income - Basic and Diluted EPS	\$7,869	\$37,496	\$4,389
Denominator			
Weighted average common shares outstanding-Basic	27,380	27,365	27,360
Dilutive stock options and warrants	1,573	1,569	1,842
Dilutive restricted stock grants	7	1	---
	-----	-----	-----
Weighted average common shares outstanding-Diluted	28,960 =====	28,935 =====	29,202 =====
Earnings per common share			
Basic	\$0.29 =====	\$1.37 =====	\$0.16 =====
Diluted	\$0.27 =====	\$1.30 =====	\$0.15 =====

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses during the reporting period and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2003 and 2002 amounts in order to conform to the 2004 presentation. In addition, the Company determined it was necessary to change the classification of certain types of revenue which had been previously reported as a reduction to lease operating expenses. This revenue consists primarily of fees charged to lessees for handling, repositioning and repairs which had previously reduced the related costs for these services. This revenue will be reported separately as other revenue on the face of the Company's Consolidated Statements of Income. These reclassifications have no impact on net income.

Adjustment to Opening Retained Earnings

During the fourth quarter of 2004, the Company sold certain assets (with a book value of approximately \$1,865) of CTC Container Trading (U.K.) Limited ("CTC"), a wholly-owned subsidiary which leased specialized cargo carrying units and other equipment for use by companies operating in the North Sea. While quantifying the approximate impact related to this sale, the Company noted that there was an elimination entry of approximately \$803, net of tax, in the Interpool Limited consolidation related to CTC. This entry reduced retained earnings with a comparable reduction to leasing equipment. The entry originated when Interpool Limited sold container equipment to CTC at a profit prior to 1994. The elimination entry was recorded to eliminate the inter-company profits generated from the sale of the equipment. The inter-company profit included in the elimination entry should have been amortized over the period the equipment was being depreciated by CTC using the higher book values. No such amortization ever took place. The depreciation would have ended prior to any period being reported on by the Company in the December 31, 2004 Form 10-K/A. The effect of this error was to understate earnings during the period that the equipment was being depreciated. The Company determined the impact of this error should be reported as an adjustment to opening retained earnings.

B. *Restatement*

During the third quarter of 2005, the Company determined that it had not recorded the full amount of compensation expense required by U.S. GAAP with respect to a separation agreement with Mr. Raoul Witteveen, its former President, which was entered into in connection with Mr. Witteveen's resignation in October 2003. When originally preparing the consolidated financial statements for the year ended December 31, 2003, the Company recorded compensation expense related to the cash separation payments it agreed to make to Mr. Witteveen. However, the separation agreement between the Company and Mr. Witteveen also contained a provision under which Mr. Witteveen's fully vested stock options, which had a five year remaining term at the time of his resignation, would instead expire two years after his resignation and therefore would not be subject to a provision of the 1993 Stock Option Plan under which vested options terminate if not exercised within ten business days after termination of employment. In the 2003 Consolidated Financial Statements, the Company should have re-measured the intrinsic value of the options (the difference between the market price of the underlying common stock and the exercise price of the options) at the date of the modification and recorded the intrinsic value of the options at the modification date as additional compensation expense (non-cash) in the fourth quarter of 2003. As a result, the Company should have recorded additional compensation expense and additional paid-in capital of \$7,091 for the year ended December 31, 2003 resulting from the option modification. In addition, the Company should have recorded a deferred tax asset of \$2,837 for the tax benefit to be derived in the future related to the additional compensation expense. This adjustment would have resulted in an increase in stockholders' equity of \$2,837 and a reduction to net income for the year ended December 31, 2003 of approximately \$4,254.

In connection with its decision to restate its Consolidated Financial Statements for the option modification discussed above, the Company is also adjusting these Consolidated Financial Statements for an accounting error that was previously considered immaterial. As previously disclosed in the Company's original Form 10-K for the year ended December 31, 2004, in April 2003, the Company re-designated certain swap agreements to a number of its debt instruments and the documentation of these hedging relationships did not meet the criteria prescribed by U.S. generally accepted accounting principles to achieve the hedge accounting treatment used by the Company. As a result, the quarterly changes to the market value of these swap agreements during 2004 should have been recorded as fair

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value adjustment for derivative instruments in the 2004 Consolidated Financial Statements. This problem was identified during the year end 2004 audit and the Company restated its quarterly results in the Form 10Q for the periods March 31, June 30 and September 30, 2004. In addition, the Company had determined that the effect of this error for the period from April 1, 2003 to December 31, 2003 was immaterial to the 2003 Consolidated Financial Statements and, therefore, recorded an entry to correct this error during the fourth quarter of 2004. This adjustment, if properly reflected in the Consolidated Financial Statements at December 31, 2003 would have resulted in an increase to net income of \$560 in 2003 and a reduction in net income of a similar amount in the December 31, 2004 Consolidated Financial Statements.

The Consolidated Financial Statements included in this Form 10-K/A Amendment No. 2 include the effect of the adjustments required to correct these errors.

The following table sets forth the effect of the restatement adjustments on the Consolidated Statements of Income for the years ended December 31, 2003 and 2004.

	As Previously Reported 2003	Change	As Restate
	-----	-----	-----
Lease operating expenses	\$ 106,692	\$1,773	\$108,4
Administrative expenses	49,734	5,318	55,0
Fair value adjustment for derivative instruments	(837)	(919)	(1,7
Total cost and expenses	355,731	6,172	361,9
Income before minority interest expense and provision/(benefit) for income taxes	46,381	(6,172)	40,2
Income before provision/(benefit) for income taxes	44,471	(6,172)	38,2
Provision/(benefit) for income taxes	3,281	(2,478)	8
Net income	\$41,190	\$ (3,694)	\$37,4
Net income per share:			
Basic	\$1.51	\$ (0.14)	\$1.
Diluted	\$1.42	\$ (0.12)	\$1.
Weighted average shares outstanding (in thousands)			
Diluted	30,396	(1,461)	28,9

	As Previously Reported 2004	Change	As Restate
	-----	-----	-----
Fair value adjustment for derivative instruments	\$ (2,430)	\$919	\$ (1,5
Total cost and expenses	373,865	919	374,7
Income before minority interest expense and provision/(benefit) for income taxes	30,522	(919)	29,6
Income before provision/(benefit) for income taxes	22,150	(919)	21,2
Provision/(benefit) for income taxes	13,721	(359)	13,3
Net income	\$8,429	\$ (560)	\$7,8
Net income per share:			
Basic	\$0.31	\$ (0.02)	\$0.
Diluted	\$0.29	\$ (0.02)	\$0.

The correction of the above items resulted in the restatement of certain amounts on the Consolidated Balance Sheet as of December 31, 2003 and 2004 as follows:

	As Previously Reported 2003	Change	As Restate
	-----	-----	-----
Deferred Income Taxes	\$37,392	\$ (2,837)	\$34,55

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Total taxes	37,759	(2,837)	34,922
Total liabilities	1,954,212	(2,837)	1,951,375
Additional paid-in-capital	128,538	7,091	135,629
Retained earnings	272,815	(3,694)	269,121
Accumulated other comprehensive loss	(14,328)	(560)	(14,888)
Total stockholders' equity	\$383,640	\$2,837	\$386,477

	<u>As Previously Reported 2004</u>	<u>Change</u>	<u>As Restated</u>
Deferred Income Taxes	\$49,204	\$ (2,837)	\$46,367
Total taxes	51,119	(2,837)	48,282
Total liabilities	1,970,114	(2,837)	1,967,277
Additional paid-in-capital	138,021	7,091	145,112
Retained earnings	273,948	(4,254)	269,694
Total stockholders' equity	\$394,186	\$2,837	\$397,023

(2) **Income taxes:**

Significant components of deferred tax assets and liabilities as of December 31, 2004 and 2003 were as follows:

	<u>2004</u>	<u>2003</u>
	<u>Restated</u>	<u>Restated</u>
Deferred tax assets:		
Loss carry forwards	\$141,893	\$123,607
Other	22,262	31,024
Total deferred tax assets	164,155	154,631
Valuation allowances	(9,963)	(16,009)
Net deferred tax assets	154,192	138,622
Deferred tax liabilities:		
Operating property, net	197,951	170,167
Other	2,608	3,010
Total deferred tax liabilities	200,559	173,177
Net deferred tax liability	\$46,367	\$34,555

One of the Company's subsidiaries had net operating loss carryforwards ("NOLs") for Federal income tax purposes totaling approximately \$15,602 for which a \$6,070 valuation allowance had been recorded. Since this \$15,602 NOL expired in 2004, the related deferred tax asset of \$6,070 was written off during the year resulting in a reduction to the valuation allowance of that amount. Other changes to the valuation allowance during the year related to various items including an equity investment, Chassis Holdings 1, LLC, and state NOLs. In 2003 the Company recorded additional valuation allowances aggregating \$1,203 for future tax deductions related to an equity investment, Chassis Holdings I, LLC and for losses incurred with respect to PCR.

Through December 31, 2004, the Company, including CAI, has incurred passive activity loss carryovers of approximately \$355,639 for U.S. federal income tax purposes. These losses can be carried forward indefinitely to offset income from future leasing activities. Additionally, the Company and its subsidiaries have net operating loss carryovers aggregating approximately \$323,898 which can be used to offset fully or partially future taxable income for state purposes. For New Jersey state tax purposes these losses are scheduled to expire between 2005 and 2012 if not utilized.

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A significant subsidiary of the Company, Interpool Limited, is a Barbados corporation. Under the terms of an income tax convention between the United States and Barbados, Interpool Limited's leasing income is fully taxable by Barbados, but exempt from U.S. Federal taxation. For information regarding the July 2004 Protocol between the United States and Barbados, see Note 17 to the Consolidated Financial Statements. The Barbados tax rate is a maximum of 2½% of income earned in Barbados.

No deferred U.S. Federal income taxes have been provided on the unremitted earnings of Interpool Limited since it is the Company's intention to indefinitely reinvest such earnings. At December 31, 2004 unremitted earnings of Interpool Limited were approximately \$334,000. The deferred U.S. Federal income taxes related to the unremitted earnings of Interpool Limited would be approximately \$110,000, assuming these earnings were taxable at the U.S. statutory rate, net of foreign tax credits. We are now exploring the implications of the repatriation provision recently enacted by the American Jobs Creation Act of 2004, but we have not yet decided whether to repatriate any unremitted earnings.

As a company resident in Barbados, Interpool Limited is required to file tax returns in Barbados and pay any tax liability to Barbados. However, no Barbados tax returns have been prepared or filed for Interpool Limited for any period subsequent to its 1997 tax year. The Company believes the failure to file these returns has not resulted in any material underpayment of taxes, interest or penalties (other than a nominal late filing penalty), because the Company believes no material Barbados taxes would have been due for the years for which returns have not been filed. The Company further believes Interpool Limited's failure to file these returns would not present any other material risk to Interpool. Preparation of these tax returns is currently in process, and it is the Company's intent to submit them as promptly as practical.

A reconciliation of the U. S. statutory tax rate to the effective tax rate follows:

	2004 ----	2003 ----
	Restated	Restated
	-----	-----
U.S. statutory rate	35.0%	35.0%
Difference due to operation of subsidiary in Barbados	(75.8)	(38.0)
State taxes	10.1	0.7
Warrant liability	81.2	---
Other	11.7	1.5
PCR losses	---	---
Valuation allowances	0.8	2.9
	----	----
Effective tax rate	63.0%	2.1%
	-----	-----

The non-cash expense of \$49,222 recorded in 2004 pertaining to the increase in the Company's liability for warrants (see Note 4 to the Consolidated Financial Statements) is non-deductible for Federal income tax purposes. This resulted in a 81.2% increase in the Company's 2004 actual tax rate.

The provision (benefit) for income taxes is as follows:

	2004 ----	2003 ----	2002 ----
	Restated	Restated	
	-----	-----	
U.S.	\$13,277	\$ (754)	\$ (1,883)
Other	85	1,557	490
	\$13,362	\$803	\$ (1,393)
	=====	=====	=====
Current	\$2,238	\$1,473	\$1,725
Deferred	11,124	(670)	(3,118)

-----	-----	-----
\$13,362	\$803	\$(1,393)
=====	=====	=====

(3) Leasing activities:*As lessor*

The Company has entered into various leases of equipment that qualify as direct financing leases. At the inception of a direct financing lease, the Company records a net investment based on the total investment (representing the total future minimum lease payments plus unguaranteed residual value), net of unearned lease income. The unguaranteed residual value is generally equal to the purchase option of the lessee, and is included in total lease receivables (approximately \$66,298 and \$63,927 at December 31, 2004 and 2003, respectively). Unearned income represents the excess of total future minimum lease payments plus residual value over equipment cost. Receivables under these direct financing leases, net of unearned income, are collectible through 2015 as follows:

	December 31, 2004		
	Total Lease Receivable	Unearned Lease Income	Net Lease Receivable
	-----	-----	-----
2005	\$113,953	\$33,913	\$80,040
2006	99,874	25,234	74,640
2007	92,509	17,479	75,030
2008	56,112	11,220	44,892
2009	31,943	7,797	24,146
Thereafter	78,152	13,455	64,697
	-----	-----	-----
	\$472,543	\$109,098	\$363,445
	=====	=====	=====

As of December 31, 2003, the Company had total lease receivable, unearned lease income and net lease receivables of \$572,956, \$146,141 and \$426,815 respectively.

As of December 31, 2004, the Company also had noncancelable operating leases, under which it will receive future minimum rental payments as follows:

2005	\$188,249
2006	160,690
2007	129,454
2008	78,831
2009	45,577
Thereafter	44,510

	\$647,311
	=====

The Company capitalizes lease commissions and amortizes this cost over the average life of the related lease contract. At December 31, 2004 and 2003, \$2,473 and \$3,902 of these commissions were included in other assets on the accompanying Consolidated Balance Sheet.

Allowance for doubtful accounts

The following summarizes the activity in the allowance for doubtful accounts:

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	2004	2003	2002
	-----	-----	-----
Balance, beginning of year	\$16,358	\$14,033	\$6,674
Provision charged to expense	1,476	4,248	7,843
Increase for allowance due to consolidation of CAI as of June 27, 2002	---	---	1,898
Write-offs	(5,247)	(2,140)	(2,504)
Recoveries	1,507	226	132
Other	(3)	(9)	(10)
	-----	-----	-----
Balance, end of year	\$14,091	\$16,358	\$14,033
	=====	=====	=====

The allowance for doubtful accounts includes the Company's estimate of allowances necessary for receivables on both operating and direct financing lease receivables. The allowance for doubtful accounts is developed based on two key components (1) specific reserves for receivables which are impaired for which management believes full collection is doubtful and (2) reserves for estimated losses inherent in the receivables based upon historical trends. The Company believes its allowance for doubtful accounts is adequate to provide for credit losses inherent on its accounts receivable. The allowance for doubtful accounts is intended to provide for losses inherent in the accounts receivable, and requires the application of estimates and judgments as to the outcome of collection efforts and the realization of collateral, among other things. In addition, changes in economic conditions or other events may necessitate additions or deductions to the allowance for doubtful accounts. Direct financing leases are evaluated on a case by case basis. When evaluating its operating and direct financing lease receivables for impairment, the Company considers, among other things, the level of past-due amounts of the respective receivable, the borrower's financial condition, credit quality indicators of the borrower, the value of underlying collateral and third party credit enhancements such as guarantees and insurance policies. Once a direct financing lease is determined to be non-performing, Company procedures provide for the following events to take place in order to evaluate collectibility:

The past due amounts are reclassified to accounts receivable,

The equipment value supporting such direct financing lease is reclassified to leasing equipment, and

Collectibility is evaluated, taking into consideration equipment book value, and the total outstanding receivable, as well as the likelihood of collection through the recovery of equipment.

As of December 31, 2004 and 2003, included in accounts receivable are non-performing receivables of \$12,498 and \$12,795, respectively. The Company's average non-performing receivables are \$12,704 and \$11,669 for the years ended December 31, 2004 and 2003, respectively. As of December 31, 2004 and 2003, included in the allowance for doubtful accounts are reserves for the non-performing receivables of \$11,764 and \$11,918, respectively. As of December 31, 2004 and 2003, our non-performing receivables, net of applicable reserves, were 1.01% and 1.27%, respectively, of accounts receivable, net.

All outstanding amounts due for non-performing direct financing lease accounts are reclassified to accounts receivable, therefore an allowance for doubtful accounts for the net investment in direct financing leases is not required.

The Company seeks to reduce credit risk by maintaining insurance coverage against customer insolvency and related equipment losses. The Company maintains contingent physical damage, recovery and loss of revenue insurance, which provides coverage in the event of a customer's insolvency, bankruptcy or default giving rise to its demand for return of all of its equipment. The policy covers the cost of recovering the Company's equipment from the customer,

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including repositioning cost, damage to the equipment and the value of equipment that could not be located or was uneconomical to recover. It also covers a portion of the equipment leasing revenue that the Company might lose as a result of the customer's default (i.e., up to 180 days of lease payments following an occurrence under the policy). The Company's current policy, which will expire on April 30, 2005, includes coverage of \$9,000 with a \$3,000 deductible, per occurrence. While the Company believes it will be able to renew this coverage on comparable or more favorable terms, for an additional twelve month period, there can be no assurance that this or similar coverage will be available in the future or that such insurance coverage will cover the entirety of any loss.

(4) Debt:

The following table summarizes the Company's debt and capital lease obligations as of December 31, 2004 and 2003.

Total Debt and Capital Lease Obligations	December 31, 2004	December 31, 2003
Capital lease obligations payable in varying amounts through 2013 Chassis Securitization Facility, interest at 5.99% and 5.59% at December 31, 2004 and 2003, respectively	\$329,623	\$325,250
Warehouse facility	22,490	25,490
Debt obligation	53,875	86,410
Capital lease obligation	397,834	404,670
Secured equipment financing facility, interest at 4.45% at December 31, 2004, revolving period ending October 31, 2006, term out period ending April 30, 2012	243,000	---
Revolving credit facility, interest rate at 3.09% at December 31, 2003	---	193,490
Revolving credit facility CAI, interest at 4.56% and 3.37% at December 31, 2004 and 2003, respectively	65,000	87,000
Container securitization facility, interest at 6.50% at December 31, 2003	---	76,560
6.00% Notes due 2014 (unsecured) net of unamortized discount of \$33,729 at December 31, 2004	196,271	---
7.35% Notes due 2007 (unsecured)	115,395	147,000
7.20% Notes due 2007 (unsecured)	45,335	62,820
9.25% Convertible redeemable subordinated debentures, mandatory redemption 2022 (unsecured)	37,182	37,180
9.875% Preferred capital securities due 2027 (unsecured)	75,000	75,000
Notes and loans repayable with various rates ranging from 3.60% to 7.90% and maturities from 2005 to 2010	137,193	194,780
Total Debt and Capital Lease Obligations	1,718,198	1,715,680
Less Current Maturities	240,553	219,190
Total Non-Current Debt and Capital Lease Obligations	\$1,477,645	\$1,496,490

At December 31, 2004, the Company had available \$223,000 under various facilities which includes approximately \$39,000 available under CAI's revolving credit facility. A commitment for \$150,000 was completed on December 29, 2004 and will be open for 364 days, after which it will either be renewed, refinanced, or will be paid out in full over the following 48 months. The advance rate under this facility will be either 60% or 75% at the Company's option. The interest rate is determined by a pricing grid and can range from LIBOR plus 140 to 180 basis points, depending upon the Company's tangible debt to total net worth ratio or its corporate credit rating, and the advance rate chosen. As of December 31, 2004, the rate would be LIBOR plus 165 basis points at a 75% advance rate and LIBOR plus 150 basis points at a 60% advance rate. There is a commitment fee of 45 basis points per annum on any unused portion of this commitment, payable quarterly in arrears. Another commitment for \$25,000 was available for future use at December 31, 2004. This commitment was scheduled to be open until March 31, 2005, after which any unfunded portion of the commitment would expire. This commitment was subsequently cancelled during February 2005 to allow the financial institution to provide a larger commitment as part of the 150,000 facility mentioned above. During the first quarter of 2005, we received additional commitments under a secured equipment financing established on November 1, 2004

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totaling \$248,000 from six additional financial institutions. As of the date this Form 10-K was filed, none of these additional commitments had been utilized.

As of December 31, 2004, the annual maturities of capital leases and related interest were as follows:

	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
2005	\$96,962	\$17,634	\$79,328
2006	68,826	13,643	55,183
2007	80,990	10,641	70,349
2008	79,685	7,974	71,711
2009	69,904	4,888	65,016
Thereafter	391,535	5,665	385,870
	-----	-----	-----
	\$787,902	\$60,445	\$727,457
	=====	=====	=====

As of December 31, 2004, the scheduled principal maturities of debt, were as follows:

2005	\$161,225
2006	83,939
2007	214,564
2008	65,501
2009	43,296
Thereafter	422,216

	\$990,741
	=====

The Company's debt consists of notes, loans and capital lease obligations with installments payable in varying amounts through 2027, with a weighted average interest rate of 6.2% and 6.0% in 2004 and 2003, respectively. The principal amount of debt and capital lease obligations payable under fixed rate contracts was \$898,712. Remaining debt and capital lease obligations of \$819,486 were payable under floating rate arrangements, of which \$408,367 was effectively converted to fixed rate debt through the use of interest rate swap agreements. At December 31, 2004, most of the debt and capital lease obligations of the Company are secured by a substantial portion of the Company's leasing equipment, direct financing leases and accounts receivable, except for \$469,183 of debt which is unsecured. For further information on the accounting treatment for interest rate swap contracts see Note 5 to the Consolidated Financial Statements.

In March 2002, the Company established a \$500,000 chassis asset-backed securitization facility. This facility is guaranteed by MBIA and was therefore rated AAA by Standard & Poor's and Aaa by Moody's. On September 30, 2002, the Company entered into a sale/leaseback transaction and expanded the total debt and capital lease obligations to a total of \$540,968 outstanding, of which \$129,328 is a debt obligation and \$411,640 is a capital lease obligation under the sale/leaseback. In May 2003, the Company established a \$200,000 revolving warehouse facility within its chassis securitization facility and received funding from a \$25,500 debt obligation issuance. In July 2003 and October 2003, the Company agreed, among other things, to suspend its ability to incur additional funding under the warehouse facility until such time as the loan and guarantee parties have each agreed in their sole discretion to reinstate their funding commitments. Additionally in January 2004, as a result of the downgrade of the ratings on the Company's debt securities Moody's reduced the "shadow rating" of the Company's chassis securitization. The Company was subsequently advised by the provider of the insurance "wrap" portion of the chassis securitization that, as a result of the downgrade of the shadow rating, the Company was liable to indemnify such provider for certain of the provider's increased capital charge costs. During October 2004, the Company reached an agreement with such provider, pursuant to which it will pay approximately \$220 per month in additional premium, declining as the loan is paid down. Such additional premium will be further adjusted downward after eighteen months if the shadow rating improves,

potentially going away entirely. In addition, as part of this agreement the wrap provider and the other participants in the chassis securitization have permanently waived any early amortization event or default associated with the downgrade of the shadow rating. At December 31, 2004, the total debt and capital lease obligation outstanding under the facility totaled \$474,199 of which \$22,490 was outstanding under the warehouse facility, \$53,875 is a debt obligation and \$397,834 is a capital lease obligation. The interest rate on this facility is 5.99%, including the effect of interest rate swap contracts in place as of December 31, 2004. This facility continues to be accounted for as an on-balance sheet secured financing. The assets used to secure this facility are segregated in a Delaware statutory titling trust (the "Trust") and in a special purpose entity (which is consolidated by the Company) and consist of \$18,500 of accounts receivable and fixed assets with a net book value of \$522,480 at December 31, 2004. In addition, \$24,927 of cash and marketable securities at December 31, 2004 are restricted for use by the Trust and the special purpose entity and included on the Company's consolidated balance sheet. The assets, which are segregated in the special purpose entity and included on the Company's consolidated balance sheet, are not available to pay the claims of the Company's creditors.

On November 1, 2004, the Company consummated a secured equipment financing with one of its existing lenders. The financing is secured by shipping containers and related leases owned by a special purpose consolidated subsidiary of the Company and leased to various third parties. The financing allows for advances from time to time up to the amount of available collateral under the facility, subject to a maximum principal amount that may be outstanding under the facility of \$252,000. The interest rate under this new facility is LIBOR plus 175 basis points, with a reduction to LIBOR plus 150 basis points possible as the Company's credit rating improves. This agreement, as amended, requires that the Company enter into interest rate swap contracts in order to effectively convert at least seventy percent of the debt associated with operating lease equipment and ninety percent of the debt associated with direct financing leases from floating rate debt to fixed rate debt by March 31, 2005. The facility has a two-year term, after which the outstanding balance will be paid out in full over 66 months if it is not refinanced. At December 31, 2004 \$243,000 of debt was outstanding under this facility and \$9,000 was available for future use. Of the \$243,000 drawn down, the Company used \$224,400 to refinance outstanding indebtedness, which included the entire \$154,800 of outstanding borrowings under its revolving credit facility, which has now been terminated, as well as an existing \$69,600 loan from this lender. The remaining balance of \$18,600 was used for transaction fees and working capital purposes. During the first quarter of 2005 the Company received additional commitments under this facility totaling \$248,000 from six additional financial institutions. As of the date this Form 10-K was filed, none of these additional commitments had been utilized.

The Company had a \$215,000 revolving credit facility with a group of commercial banks. In July 2000, this facility was renewed and amended with the term extended to July 31, 2005. The credit limit was \$215,000 through July 31, 2003; thereafter the credit limit declined to \$193,500 through July 31, 2004 and \$172,000 through July 31, 2005. In July 2003 and October 2003, in connection with obtaining necessary waivers under the revolving credit facility due to the late filing of the Company's periodic reports with the SEC and the restatement of its past financial statements, the Company agreed, among other things, to reduce advance rates under this facility, to define several additional events as events of default, to increase the interest rate margin until it is in compliance with all SEC reporting requirements, and to maintain specified levels of unrestricted cash and cash equivalents until the delinquent SEC filings are made. The Company also agreed to restrictions on dispositions of collateral and encumbrances of assets as well as a limitation on concessions that could be made to its other financial institutions in connection with obtaining waivers. The October 2003 amendment also required the Company to provide additional financial information to the lenders under the facility and to continue the engagement of a financial advisor. On November 1, 2004, the Company paid off the entire \$154,757 of outstanding borrowings under its revolving credit facility, and terminated the facility.

On June 27, 2002, CAI entered into an amended \$110,000 senior revolving credit agreement with a group of financial institutions. To facilitate the closing of this new credit facility, the Company agreed to extend the repayment terms of its Note so as to require mandatory quarterly principal payments of \$1,683 beginning July 30, 2006 through April 30, 2011 and modified certain financial covenants in the Note. Interest on the Note continues to accrue at an annual fixed rate of 10.5% and is payable quarterly. The Note continues to be cross-collateralized with CAI's senior credit

agreement, subject to the terms of an amended and restated subordination agreement.

A total of \$65,000 was outstanding under CAI's senior revolving credit facility at December 31, 2004. Borrowings under CAI's senior credit facility are secured by substantially all of CAI's assets totaling approximately \$181,958 in the Company's Consolidated Financial Statements at December 31, 2004, and are payable on June 27, 2005. CAI is currently in discussions with its lenders regarding a renewal of their senior revolving credit facility. The senior credit facility contains various financial and other covenants. CAI was in compliance with the covenants at December 31, 2004.

In July 2001, the Company's container securitization facility, which was originally established as an off-balance sheet source of financing in March 1999, was amended allowing additional financings to be accounted for as on-balance sheet secured debt financing. In August 2002, the container securitization facility was extended with the maximum outstanding limited to \$150,000. In October 2002 the facility was renewed and the facility amount was increased to \$200,000. Subsequently, the Company amended its container securitization facility to relinquish the right to request additional advances under the facility and agreed that all lease payments subsequently received under the facility would be used to reduce the indebtedness. On December 28, 2004, the Company paid off the remaining \$25,933 of outstanding borrowings under this facility, and terminated the facility.

On September 14, 2004, the Company entered into a Securities Purchase Agreement pursuant to which it sold \$150,000 total principal amount of a new series of 6.0% notes due 2014 (the "Notes") in a private transaction with four investors. In connection with the sale of the Notes, the Company also issued to the investors two series of Warrants exercisable for a total of 8,333,333 shares of the Company's common stock at an exercise price of \$18.00 per share (the "Warrants"). The exercise price will be subject to customary anti-dilution adjustments as set forth in the Warrants.

The Notes mature on September 1, 2014, with interest payable semi-annually at a rate of 6.0% per annum. The Company has the right to redeem the Notes at any time after September 1, 2009 with a declining premium. The maturity of the Notes can be accelerated upon the occurrence of an "Event of Default" as such term is defined in the indenture governing the Notes (the "Indenture"). The Indenture also contains various restrictive covenants, including limitations on the payment of dividends and other restricted payments, limitations on incurrence of indebtedness, and limitations on asset sales, the violation of which by the Company would result in an Event of Default.

The first series of Warrants (the "Series A" Warrants) is exercisable at any time for a total of 5,475,768 shares. The second series of warrants (the Series "B" Warrants) will become exercisable at any time for a total of 2,857,565 shares, following stockholder approval of such exercise at a special meeting of the Company's stockholders. The Company also entered into agreements with the investors to file registration statements with the Securities and Exchange Commission, for the benefit of the investors, with respect to the Notes and the Warrants. The terms of the Warrants provide that the exercise price will be paid by the investors to the Company solely in cash except that after the Company has filed a registration statement with the Securities and Exchange Commission relating to the Warrants and underlying common stock, in the event such registration statement has not become effective or is otherwise not available to the Warrant holders or if the exercise of the Warrants for cash would not be permitted under the federal securities laws, the exercise price may be paid by tendering a principal amount of 6.0% Notes equal to the exercise price of the Warrants then being exercised. The sale of the Notes and Warrants pursuant to the Securities Purchase Agreement was made in reliance on the exemption from the registration requirements of the Securities Act of 1933 (the "Act") pursuant to Section 4(2) of the Act

Of the \$150,000 in proceeds from the September 14, 2004 sale of the Notes and Warrants, the Company repurchased, at face value, a portion of its outstanding 7.35% notes due 2007 (\$31,605) and 7.20% notes due 2007 (\$17,490) which were held by the investors. The remaining proceeds are being used for general corporate purposes, including, but not limited to, the purchase of equipment, retirement of debt, potential acquisitions and/or working capital.

The Warrants expire on September 1, 2014, although the Company has the right under certain conditions to require that they be exercised at any time after its common stock trades at \$30.00 per share or more for five consecutive trading days assuming the shares being issued upon exercise are registered shares.

The fair value of the warrants at the date of the transaction was estimated at \$22,500 and was recorded in warrant liability on the Consolidated Balance Sheet, with the offset recorded as a discount on the Notes. This discount is being amortized as interest expense using the effective interest method over the ten-year life of the Notes. The overall interest rate on the Notes, considering the amortization of the discount, is approximately 8.3%.

EITF 00-19, *Accounting for Derivative Financial Instruments Indexed to, and potentially Settled in a Company's Own Stock* ("EITF 00-19") requires freestanding contracts that are settled in a Company's own stock, including common stock warrants, to be designated as an equity instrument, asset or liability. Under the provisions of EITF 00-19, a contract designated as an asset or liability must be carried at fair value until the contract meets the requirements for classification as equity, until the contract is exercised or until the contract expires. The Company has classified these warrants as a liability, as noted above, because the requirements of EITF 00-19 for classification of the warrants as equity have not yet been met. During the period in which the warrants are classified as a liability, any changes in fair value will be reported as fair value adjustment for warrants in the Consolidated Statement of Income. Due primarily to the increase in the market value of the Company's common stock during the last quarter of 2004, the fair market value of these Warrants has increased from \$22,500 at September 30, 2004 to \$71,722 at December 31, 2004. As a result, during the three-months ended December 31, 2004, the Company has recorded a non-cash expense of \$49,222 (for which no tax benefit is derived) which has been reflected as fair value adjustment for warrants on the accompanying Consolidated Statements of Income. Accordingly, future changes to the fair market value of these Warrants have the potential to cause volatility in our future results. For the period of time that these warrants are classified as a liability, any increase in the fair market value of the Warrants will result in an additional non-cash expense to the Consolidated Statements of Income. If the fair market value of the Warrants decreases in the future the Company will record non-cash income in its Consolidated Statements of Income. At such time as all of the conditions of EITF 00-19 are met for classification of the Warrants as equity, the liability account representing the fair value of the warrants at the date the conditions are met will be reclassified to additional paid-in-capital on the Consolidated Balance Sheets.

The Company has agreed to file a Registration Statement for the Warrants and the Notes with the Securities and Exchange Commission by May 1, 2005. In addition, the Company has agreed to use commercially reasonable efforts to have the Warrant Registration Statement and the Notes Registration Statement declared effective by July 1, 2005. It is impossible for the Company to predict when either of these registration statements will become effective. If either of these Registration Statements is not effective by October 1, 2005, or is not filed by May 1, 2005, the Company will be required to pay liquidated damages to the holders of these securities based upon a value of \$150,000 for the Notes and \$150,000 for the Warrants. For the first 90 days, the amount of liquidated damages to be paid related to the Warrants and the Notes will be calculated using a rate of 0.25% per annum for each day the Registration Statements are not effective after September 30, 2005 or if the Registration Statements are not filed by May 1, 2005. This percentage will be increased by 0.25% for each 90 day period, until these conditions are met, up to a maximum of 1.00% per annum.

A condition that must be met for equity treatment under the provisions of EITF 00-19 is that there can be no possibility of a net cash settlement of the Warrants. Under the terms of the Warrant Agreement, in the event that stockholder approval of the issuance of common stock pursuant to the Series B Warrants is not obtained prior to April 30, 2005, the holders of the Series B Warrants have the right to settle their warrants for cash. In order to do this, the Series B Warrant holders, upon payment of the exercise price of the Series B Warrants, would receive cash from the Company in an amount equal to 105% of the market price of the Company's common stock on the day prior to exercise. For example, if the market value of the Company's stock was \$22 at the date that the Series B Warrant holders exercised their right for a net cash settlement, the net cash settlement paid to the holders of the Series B Warrants would be approximately \$14,574 ($\$22 \text{ market value} \times 105\% \times 2,857,565 \text{ shares}$ less exercise price of

2,857,565 shares X \$18). The Company intends to hold a special meeting of the Stockholders as soon as practicable and at that meeting will seek stockholder approval for the exercise of the Series B Warrants. It is impossible for the Company to hold this meeting until the Company's Proxy requesting this approval has been filed with and accepted by the Securities and Exchange Commission and all stockholders have been notified regarding the meeting. In connection with the sale of the Notes and Warrants, certain of the Company's significant stockholders, whose combined ownership interest represents more than 50% of the issued and outstanding shares of its common stock, entered into a voting agreement pursuant to which they have agreed to vote to approve the exercise of the second series of Warrants by the investors. In addition, Martin Tuchman, the Company's Chairman and Chief Executive Officer, Warren L. Serenbetz, a former member of its Board of Directors, and an entity controlled by members of Mr. Serenbetz's family agreed to certain restrictions on their ability to transfer shares of the Company's common stock in private transactions. If the approval for the issuance of the shares related to the Series B Warrants is obtained after April 30, 2005 and prior to the exercise of the Series B Warrants by the holders of the Warrants, the holders of the Series B Warrants will lose their right to exercise the net cash settlement feature of Series B Warrants once such stockholder approval is received. At that time, this will no longer be a condition for liability treatment under the provisions of EITF 00-19.

On November 29, 2004, the Company sold \$80,000 total principal amount of new 6.0% notes (the "November notes") due 2014 to eight investors under the same indenture used for the \$150,000 unsecured financing completed during September 2004. The terms of the November notes are identical to those of the notes sold during September (as described previously in this document) with the following exceptions: (1) there were no warrants associated with the November notes; and (2) the original issue discount on the November notes was approximately 14.7% versus 15.0% for the September notes. The November notes were sold at a discount which provided net proceeds totaling \$68,065. The net proceeds are for general corporate purposes, including, but not limited to the purchase of equipment, retirement of debt, acquisitions, and/or working capital.

In July and August 1997, the Company issued \$225,000 of ten year notes, comprised of \$150,000 of 7.35% Notes due 2007 and \$75,000 of 7.20% Notes due 2007. The net proceeds from these offerings were used to repay secured indebtedness, to purchase equipment and for other investments. During 2004, the Company retired \$31,605 of the 7.35% Notes and \$17,490 of the 7.20% Notes. As of December 31, 2004, \$115,395 and \$45,335 principal amount of the 7.35% and 7.20% Notes, respectively, remains outstanding.

In July 2002, the Company commenced a registered subscription rights offering of up to \$31,465 of its 9.25% Convertible Redeemable Subordinated Debentures. The debentures were offered to holders of its common stock pursuant to the exercise of non-transferable subscription rights and were to be convertible into shares of its common stock. The Company had the right in its discretion to accept offers from other parties to purchase debentures not subscribed for by stockholders. On August 14, 2002, the Company terminated the subscription rights offering due to a delay in filing its Form 10-Q for the quarter ended June 30, 2002. The Company re-commenced the offering during November 2002 and accepted subscriptions for \$32,118 of debentures, which were issued in December 2002. The Company also increased the size of the offering and subsequently accepted \$5,064 of additional subscriptions in January and February 2003, resulting in a total of \$37,182 of debentures being issued. The debentures bear interest at an annual rate of 9.25%. They have a mandatory redemption feature upon the earlier of the occurrence of a change of control or on December 27, 2022. They have an optional redemption feature after the third anniversary at a price of 100% of outstanding principal, plus accrued interest. They have a special redemption feature between December 27, 2006 and December 27, 2007, during which period the Company may redeem the debentures by issuing common stock at \$25.50 per debenture plus accrued interest, if the average closing price of its common stock for five consecutive trading days equals or exceeds \$25.50 per share. Lastly, at any time, the holder of the debentures may convert the debentures into the Company's common stock at a per share conversion price of \$25 per debenture.

On January 27, 1997, Interpool Capital Trust, a Delaware business trust and special purpose entity (the "Trust"), issued to outside investors 75,000 shares of 9-7/8% Capital Securities with an aggregate liquidation preference of \$75,000 (the "Capital Securities") for proceeds of \$75,000. Interpool owns all the common securities of the Trust. The proceeds received by the Trust from the sale of the Capital Securities were used by the Trust to acquire \$75,000 of

9-7/8% Junior Subordinated Deferrable Interest Debentures due February 15, 2027 of the Company (the "Debentures"). The sole asset of the Trust is \$77,320 aggregate principal amount of the Debentures. The Capital Securities represent preferred beneficial interests in the Trust's assets. Distributions on the Capital Securities are cumulative and payable at the annual rate of 9-7/8% of the liquidation amount, semi-annually in arrears and commenced February 15, 1997. The Company has the option to defer payment of distributions for an extension period of up to five years if it is in compliance with the terms of the Capital Securities. Interest at 9-7/8% will accrue on such deferred distributions throughout the extension period. The Capital Securities will be subject to mandatory redemption upon repayment of the Debentures to the Trust. The redemption price decreases from 104.9375% of the liquidation preference in 2007 to 100% in 2017 and thereafter. Under certain limited circumstances, the Company may, at its option, prepay the Debentures and redeem the Capital Securities prior to 2007 at a prepayment price specified in the governing instruments. The obligations of the Company under the Debentures, under the Indenture pursuant to which the Debentures were issued, under certain guarantees and under certain back-up obligations, in the aggregate constitute a full and unconditional guarantee by the Company of the obligations of the Trust under the Capital Securities.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity* ("SFAS 150"). The adoption of SFAS 150 required the Company to display the Company-obligated mandatorily redeemable preferred securities in subsidiary grantor trusts within the liability section. At December 31, 2004 and 2003 these Capital Securities are included in debt and capital lease obligations in the Consolidated Balance Sheets.

Covenants: Under the Company's secured equipment financing facility (and most of its other debt instruments, the Company was required to maintain covenants (as defined) for tangible net worth (the most stringent of which required the Company to maintain tangible net worth of at least \$300,000), a fixed charge coverage ratio of 1.5 to 1 and a funded debt to net worth ratio (as defined in the agreement) of 4.0 to 1. A servicing agreement to which the Company is a party requires that it maintains a tangible net worth (as defined in the agreement) of at least \$375,000 plus 50% of any positive net income reported from October 1, 2004 forward. Additionally, under a credit agreement, the Company is required to maintain a security deposit in the aggregate amount of at least 80% of the outstanding loan balances, including interest. This amounted to \$4,834 at December 31, 2004 and is included in other assets on the Consolidated Balance Sheet. At December 31, 2004, the Company was in compliance with these covenants, as amended. At December 31, 2004, under a restriction in the Company's 6.0% Note Indenture approximately \$3,561 of retained earnings were available for dividends.

(5) Derivative instruments:

The Company's assets are primarily fixed rate in nature while its debt instruments are primarily floating rate. The Company employs derivative financial instruments (interest rate swap agreements) to effectively convert certain floating rate debt instruments into fixed rate instruments and thereby manage its exposure to fluctuations in interest rates.

As of December 31, 2004 and December 31, 2003, included in accounts payable and accrued expenses in the accompanying Consolidated Balance Sheets is a liability of \$19,745 and \$34,026, respectively, representing the market value of the Company's interest rate swap contracts.

The unrealized pre-tax income on cash flow hedges for the year ended December 31, 2004 of \$12,941 (restated) and the related income tax effect of \$3,860 (restated) have been recorded by the Company as a component of other comprehensive income (loss).

The unrealized pre-tax income on cash flow hedges for the year ended December 31, 2003 of \$14,351 (restated) and the related income tax effect of \$4,341 (restated) have been recorded by the Company as a component of other comprehensive income (loss). See Note 1 to the Consolidated Financial Statements for additional disclosures

regarding swap agreements and their impact on other comprehensive income.

The Company may at its discretion terminate or redesignate any such interest rate swap agreements prior to maturity. At that time, any gains or losses previously reported in accumulated other comprehensive loss on termination would continue to amortize into interest expense or interest income to correspond to the recognition of interest expense or interest income on the hedged debt. If such debt instrument was also terminated, the gain or loss associated with the terminated derivative included in accumulated other comprehensive loss at the time of termination of the debt would be recognized in the Consolidated Income Statement at that time.

For the year ended December 31, 2004, the Company reported \$1,511 (restated) of pre-tax income in the Consolidated Statements of Income due to changes in the fair value of interest rate swap agreements which do not qualify as cash flow hedges under SFAS 133. This compares to \$1,756 (restated) of pre-tax income for the year ended December 31, 2003.

In addition to the amounts included in the fair value adjustment for derivative instruments related to changes in the fair value of interest rate swap agreements, a change in the fair value of the Warrants issued during September 2004 in connection with the 6.0% Notes, which is classified as a liability on the accompanying Consolidated Balance Sheets, resulted in a non cash charge of \$49,222 (for which no tax benefit is derived) which is included in fair value adjustment for warrants on the accompanying Consolidated Statement of Income.

As of December 31, 2004, the annual maturities of the notional principal amounts, with installments payable in varying amounts through 2014, and the weighted average interest rates expected to be received or paid for interest rate swap contracts were as follows:

	Notional Amount	Receive Rate	Pay Rate
	-----	-----	-----
2005	\$85,248	2.32%	5.08%
2006	53,027	2.38%	5.26%
2007	161,645	2.40%	5.81%
2008	29,337	2.41%	5.56%
2009	27,675	2.41%	5.64%
Thereafter	67,789	2.41%	5.43%
	-----	-----	-----
Total	\$424,721	2.39%	5.51%
	=====	=====	=====

The weighted average receive rate is based on the floating rate option specified by the interest rate swap contract and are either one-month or three-month USD-LIBOR.

(6) Sale of PCR and Discontinuation of Microtech's Operations

During the three months ended September 30, 2001, the Company adopted a formal plan to dispose of PCR, a 51%-owned subsidiary, and to discontinue the operations of Microtech, (after acquiring the remaining 24.5% ownership interest of this 75.5%-owned subsidiary) and liquidate its lease portfolio. Within the historical financial statements of the Company, PCR and Microtech comprised the computer-leasing segment and specialized in the leasing of microcomputers and related equipment.

On December 31, 2001, the Company acquired from the management of Microtech (who are the same individuals who managed PCR) the remaining 24.5% ownership interest in Microtech for \$792 in cash, thereby increasing the Company's ownership in Microtech to 100%.

In addition, on December 31, 2001, the Company completed the contractual sale of its 51% ownership stake of PCR to an investment group comprised of the management of PCR. Under the agreement, the Company sold its share of PCR for \$3,200. The purchase price was satisfied through the issuance of a non-recourse note in the amount of \$2,560 and a cash payment of \$640 received by the Company on January 2, 2002. This transaction was not accounted for as a sale by the Company because of the level of the Company's continued involvement in PCR subsequent to the transaction which included:

A \$3,500 loan due from PCR under a long-term revolving credit facility;

A \$1,400 direct financing lease and other receivables due from PCR primarily for its lease of computer equipment from Microtech;

A \$5,000 guarantee provided by the Company for PCR borrowings from an unrelated financial institution. This guarantee was paid off through a secured financing arrangement completed by the Company in July 2004.

A \$3,000 guarantee provided by certain directors and officers of the Company for a line of credit obtained by PCR from a financial institution related to the Company;

Bonus and consulting contracts entered into between the Company and the key executives of PCR.

During 2002, the Company included in other (income)/expense, net in the Company's Consolidated Income Statement losses resulting from PCR's operations with a corresponding reduction to assets of business transferred under contractual agreement in the Company's Consolidated Balance Sheet. During the first three quarters of 2002, \$4,002 of such PCR's losses were recorded by the Company.

During the fourth quarter of 2002, the Company determined that it was unlikely that PCR would be able to continue as a going concern, and, in the first quarter of 2003, PCR entered bankruptcy proceedings and began the voluntary liquidation of its business. As a result, during the fourth quarter of 2002, the Company accrued for its obligations related to the liquidation of PCR. The amounts accrued by the Company in 2002 included \$4,429 related to its guarantee of PCR's debt, \$2,681 in payments made by The Ivy Group (which had assumed the \$3,000 guarantee made by certain officers and directors of the Company) to pay off PCR's bank debt and provide short-term liquidity (see further discussion below), the write-off of \$1,400 in computer equipment related receivables due to Microtech, and \$1,168 related to consulting and bonus agreements provided to key officers of PCR. These amounts have been included in other (income)/expense, net in the Company's Consolidated Statements of Income.

At the time of closing of the sale of the Company's interest in PCR, the Company provided a guarantee of an additional line of credit from a financial institution of up to \$3,000 on PCR's behalf. The financial institution subsequently agreed, at the Company's request, to rescind this guarantee, retroactive to December 31, 2001. In lieu of the Company's guarantee, effective December 31, 2001, certain directors and officers of the Company guaranteed an additional line of credit of up to \$3,000 on behalf of PCR. Advances amounting to \$698 and \$1,983 in 2003 and 2002, respectively, were made to PCR by The Ivy Group to pay off borrowings under the line of credit and to provide PCR with working capital. The Ivy Group is a partnership controlled by certain current and former officers and directors of the Company. The advances made by The Ivy Group to PCR are considered capital contributions to the Company and payments by the Company to PCR. The payments to PCR have been determined to be uncollectible and, accordingly, were written off by the Company as described above. Payments made in 2002 amounting to \$1,983 have been included in additional paid-in-capital. The remaining payments made in 2003 of \$698 were recorded in additional paid-in-capital during 2003 when the payments were made.

(7) Lease securitization program:

On March 30, 1999, the Company entered into an asset backed note program (the "ABN Program"). The ABN Program involved the sale by the Company of direct financing leases collateralized by intermodal containers. The assets were sold to a qualified special purpose entity whose sole business activity is issuing asset backed notes ("ABNs"), supported by the future cash flows of the assets and the underlying residuals.

The Company's retained interest in this program was accounted for at fair value, with any changes in fair value over its allocated historical book value recorded as a component of accumulated other comprehensive income/(loss), net of tax, in the Consolidated Statement of Changes in Stockholders' Equity. As of September 30, 2003 the Company's estimated fair market value of its retained interest was \$3,801, using a discounted cash flow model assuming expected credit losses of 1.5% and a discount rate of 12.6%. Prior to October 1, 2003 and for the year ended December 31, 2002, the Company recorded interest income on the retained interest totaling \$976 and \$1,777, respectively, which is included in equipment leasing revenue in the accompanying Consolidated Statements of Income. Impairment losses of \$571 and \$134 for the nine months ended September 30, 2003 and for the year ended December 31, 2002 were recorded and included in the accompanying Consolidated Statements of Income based upon changes in management's projected cash flows of the underlying direct financing lease receivables in the securitization trust. The impairment charge recorded in 2003 resulted primarily from an amendment and waiver dated September 19, 2003, wherein the Company agreed that all future cash flows generated by the securitization facility that would have otherwise been remitted to the Company in satisfaction of its retained interest would be used to reduce the remaining obligations of its container securitization facility until such obligations were fully repaid. In addition, the Company agreed to defer its receipt of servicing fees. Once all obligations are repaid, the Company would then receive the future lease payments in satisfaction of its net investment in direct financing leases and deferred servicing fees. For the nine months ended September 30, 2003 and for the year ended December 31, 2002 cash flows received on the retained interest were \$6,923 and \$6,435 respectively.

Effective October 1, 2003, a customer elected to return a portion of the equipment covered by a direct financing lease which had been included in a qualified special purpose entity as part of the lease securitization program. The equipment was subsequently leased to another customer under the terms of an operating lease agreement. As such, the lease could no longer be considered a financial asset and the Securitization Trust special purpose entity could no longer be treated as an off-balance sheet qualified special purpose entity for accounting purposes. Therefore, effective October 1, 2003, the Company consolidated the assets and liabilities of this special purpose entity. As a result, the Company recorded the net investment in direct financing leases of \$19,742 on the accompanying Consolidated Balance Sheets which represents the remaining lease payments for the direct financing leases in the securitization, net of the interest implicit in the leases. In addition, the Company recorded leasing equipment of \$1,326 related to the equipment subsequently leased under the terms of the operating lease agreement. The remaining obligations under the ABNs amounting to \$17,793 were recorded as debt and capital lease obligations on the Consolidated Balance Sheets at October 1, 2003. After consolidating these and other assets and liabilities of the special purpose entity, net of the book value of the Company's retained interest in the securitization of \$3,801 on October 1, 2003, the Company recognized income of \$2,870 in other (income)/expense, net in the Consolidated Statements of Income at October 1, 2003. This income resulted from the favorable credit loss experience through September 30, 2003 on the underlying direct financing leases as compared to the assumed credit losses of 1.5%.

Interpool Limited, a subsidiary of the Company (the "Servicer"), acted as servicer for the assets prior to October 1, 2003. Pursuant to the terms of the servicing agreement as amended on October 18, 2002, the Servicer was paid a fee of 0.75% of the assets under management. Prior to the amendment to the servicing agreement, the Servicer was paid a fee of 0.40%. As a result of this amendment, the Company recorded a permanent impairment loss of \$240 for the year ended December 31, 2002 in the accompanying Consolidated Statements of Income. The Company's management determined that the servicing fee paid approximates the fair value for services provided, as such, no servicing asset or liability was recorded. For the nine months ended September 30, 2003 and for the year ended December 31, 2002, the Company received servicing fees totaling \$706 and \$591 which are included in equipment leasing revenue in the accompanying Consolidated Statement of Income.

(8) Other contingencies and commitments:

Lease Commitments: The Company and its subsidiaries are parties to various operating leases relating to office facilities, transportation vehicles, and certain other equipment with various expiration dates through 2010. All leasing arrangements contain normal leasing terms without unusual purchase options or escalation clauses. Rental expense under operating leases aggregated \$20,927, \$21,470 and \$17,074 for the years ended December 31, 2004, 2003 and 2002, respectively.

As of December 31, 2004, the aggregate minimum rental commitment under operating leases having initial or remaining noncancelable lease terms in excess of one year was as follows:

2005	\$15,162
2006	18,311
2007	10,739
2008	5,882
2009	3,761
Thereafter	2,780

	\$56,635
	=====

The Company and its subsidiaries are parties to various capital leases and obligated to make payments related to its long-term borrowings. (See Note 4 to the Consolidated Financial Statements).

Employment Agreements: The Company has entered into employment agreements with certain executive officers and employees which provide for minimum salary, bonus arrangements and benefits for periods from 1 to 7 years. As of December 31, 2004, the minimum obligation related to these agreements approximated \$10,336.

Separation Agreements: The Company has entered into separation agreements with its former President and Chief Operating Officer and its former Executive Vice President and Chief Financial Officer that provide for payments and benefits for periods of 1 to 3 years. As of December 31, 2004, the remaining obligation related to these agreements approximated \$2,555. Expenses related to these separation agreements amounting to \$12,935 (restated) were recorded during 2003, including the compensation expense resulting from the modification of the terms of the fully vested options held by the Company's former President. (See Note 1(B), Restatement, to the Consolidated Financial Statements.) During 2004, as contemplated by the separation agreement with the Company's former President and Chief Operating Officer, the Company paid and recorded to expense employment related taxes in connection with the previous employment of this executive officer prior to October 9, 2003, amounting to \$274. These taxes could not be estimated in 2003 and a portion of these taxes are recoverable in 2005, and possibly in later years, by the Company from the former President and Chief Operating Officer under certain circumstances. For further information regarding a modification of the separation agreement with the former President and Chief Operating Officer, see Note 17 to the Consolidated Financial Statements.

Guarantees: At December 31, 2004, the following guarantees were issued and outstanding:

Indemnifications: In the ordinary course of business, the Company executes contracts involving indemnifications standard in the industry and indemnifications specific to a transaction such as an assignment and assumption agreement. These indemnifications might include claims related to any of the following: tax matters and governmental regulations, and contractual relationships. Performance under these indemnities would generally be triggered by a breach of terms of the contract or by a third party claim. The Company regularly evaluates the probability of having to incur costs associated with these indemnifications and have accrued for any expected losses that are probable. The types of indemnifications for which payment are possible are as follows:

Taxes: In the ordinary course of business, the Company provides various tax-related indemnifications as part of transactions. The indemnified party typically is protected from certain events that result in a tax treatment different from that originally anticipated. The Company's liability typically is fixed when a final determination of the indemnified party's tax liability is made. In some cases, a payment under a tax indemnification may be offset in whole or in part by refunds from the applicable governmental taxing authority. The Company is party to numerous tax indemnifications and many of these indemnities do not limit potential payment; therefore, it is unable to estimate a maximum amount of potential future payments that could result from claims made under these indemnities.

Contractual Relationships: The Company entered into a number of operating leases during 2000 and 2002 in which it guaranteed a portion of the residual value of the leased equipment. These leases have terms that expire between 6 and 9 years. If at the end of the lease term the fair market value of the equipment is below the guaranteed residual value in the agreement, the Company is liable for a percentage of the deficiency. The total of these guarantees is \$12,405 of which \$1,451 could be due in 2 to 3 years, \$6,560 could be due in 4 to 5 years, and the remaining \$4,394 potentially due in greater than 5 years. As of December 31, 2004 and 2003, included in accounts payable and accrued expenses in the accompanying Consolidated Balance Sheets is a liability of \$188 and \$144, respectively, representing the accrual for these guarantees.

During the second quarter of 2003, the Company arranged a leasing transaction between one of its major customers and a financial institution for up to 3,000 containers. As part of this transaction, the Company agreed to provide certain guarantees related to the fair value of the equipment if the lessee terminated the lease or if the lessee was unable to meet its obligations under the terms of the lease. In addition, if the lessee agreed to extend the lease, the Company agreed to purchase the equipment from the financial institution at a stated value and lease it to the lessee for this additional period at a stated lease rate. The Company further agreed to provide the lessee with a purchase option at the end of the extended lease period that would be less than the fair market value of the equipment at the date the lessee could exercise its option (the "Bargain Purchase Option").

In return for the arrangement of the transaction on behalf of the financial institution and the guarantees discussed above, the Company was paid an arrangement fee and a portion of the initial rent for each container included in the lease. During the year ended December 31, 2003, 2,076 containers were delivered to the lessee and the Company received payments amounting to \$1,240. The remaining 924 containers were purchased by the Company and leased to the customer under the terms of a direct financing lease.

The estimated fair value at the end of the lease term guaranteed by the Company for these containers amounts to approximately \$4,360. The Company has estimated that its potential liability related to these guarantees is less than the estimated potential liability related to the Bargain Purchase Option granted to the lessee. As such, the Company has accrued for the estimated value of its liability for this Bargain Purchase Option amounting to \$1,017 that could be due in greater than 5 years. All fees collected from the lessor have been deferred by the Company and included in accounts payable and accrued liabilities on the accompanying Consolidated Balance Sheets. The fees received from the lessor, net of the estimated liability for the Bargain Purchase Option, are being recognized by the Company over the term of the residual guarantee.

Standby Letters of Credit: As of December 31, 2004, CAI, a consolidated subsidiary of the Company, has two outstanding letters of credit totaling \$6,000 which guarantee its obligations under certain operating lease agreements. These letters of credit expire in May 2005.

Other:

At December 31, 2004, commitments for capital expenditures for leasing equipment totaled approximately \$149,634, with approximately \$116,681 committed for 2005 and \$32,953 committed for 2006.

The Company is engaged in various legal proceedings from time to time incidental to the conduct of its business. Such proceedings may relate to claims arising out of equipment accidents that occur from time to time which involve death and injury to persons and damage to property. Accordingly, the Company requires all of its lessees to indemnify the Company against any losses arising out of such accidents or other occurrences while the chassis are on-hire to the lessees. In addition, lessees are generally required to maintain a minimum of \$2,000 in general liability insurance coverage which is standard in the industry. In addition, the Company maintains a general liability policy of \$255,000 in the event that the above lessee coverage is insufficient. While the Company believes that such coverage should be adequate to cover current claims, there can be no guarantee that future claims will never exceed such amounts. Nevertheless, the Company believes that no current or potential claims of which it is aware will have a material adverse effect on its financial condition or results of operations and that the Company is adequately insured against such claims.

Pending Governmental Investigations

Following the Company's announcement in July 2003 that its Audit Committee had commissioned an internal investigation by special counsel into our accounting, the Company was notified that the SEC had opened an informal investigation of Interpool. As the Company anticipated, this investigation was subsequently converted to a formal investigation and remains pending as of the date this Form 10-K was filed with the SEC. The Company is cooperating fully with this investigation. The New York office of the SEC received a copy of the written report of the internal investigation and has received documents and information from the Company, its Audit Committee and certain other parties pursuant to SEC subpoenas. In late 2003, the Company was also advised that the United States Attorney's office for the District of New Jersey received a copy of the written report of the internal investigation and opened a parallel investigation focusing on certain matters described in the report by the Audit Committee's special counsel. The Company was informed that Interpool is neither a subject nor a target of the investigation by the U.S. Attorney's office. The Company cannot predict the final outcome of these investigations and accordingly cannot be assured that they will not result in the taking of actions adverse to us.

Stockholder Litigation

In February and March 2004, several lawsuits were filed in the United States District Court for the District of New Jersey, by purchasers of the Company's common stock naming the Company and certain of its present and former executive officers and directors as defendants. The complaints alleged violations of the federal securities laws relating to the Company's reported Consolidated Financial Statements for the years ended December 31, 2000 and 2001 and the nine months ended September 30, 2002, which the Company announced in March 2003 would require restatement. Each of the complaints purported to be a class action brought on behalf of persons who purchased the Company's securities during a specified period. In April 2004, the lawsuits, which seek unspecified amounts of compensatory damages and costs and expenses, including legal fees, were consolidated into a single action with lead plaintiffs and lead counsel having been appointed. The plaintiffs filed a consolidated amended complaint in September 2004, which includes allegations of purported misstatements and omissions in the Company's public disclosures throughout an expanded purported class period from March 31, 1999 through December 26, 2003. In November 2004, the Company filed a motion to dismiss the amended complaint, which is currently pending. In the event the Company's motion to dismiss is denied, the Company would expect to incur additional defense costs typical of this type of class action litigation. The Company intends to vigorously defend this lawsuit but is unable at this time to ascertain the impact this litigation may have on its financial position or results of operations.

(9) Cash flow information:

For purposes of the Consolidated Statements of Cash Flows, the Company includes all highly liquid short-term investments with an original maturity of three months or less in cash and cash equivalents.

For the years ended December 31, 2004, 2003 and 2002, cash paid for interest was approximately \$108,542, \$105,272 and \$108,886, respectively. Cash paid for income taxes was approximately \$1,202, \$2,175 and \$3,249, respectively.

(10) Related party transactions:

During 2001, the Company leased approximately 28,500 square feet of commercial space for its corporate offices in Princeton, New Jersey from 211 College Road Associates, a New Jersey general partnership in which Martin Tuchman, a director and Chief Executive Officer and Warren L. Serenbetz, a director until December 15, 2004, held a significant equity interest. The 2001 annual base rental for this property was approximately \$557 under a triple net lease expiring in 2010. In the opinion of the Company's management, rent paid under this lease did not exceed rent that the Company would have paid in an arms length transaction with an unrelated third party. On January 28, 2002, the Company executed a Purchase and Sale Agreement, pursuant to which on May 1, 2002 the Company acquired the building which houses its corporate offices. The fair market value purchase price of the approximately 39,000 square feet building was \$6,250, based upon a determination of the fair market value of the property by an independent property appraisal firm. The purchase price and other terms of the purchase were unanimously approved by the Company's Board of Directors.

In January 1992 the Company executed a Consultation Services Agreement with Radcliff Group, Inc. pursuant to which Radcliff designated Warren L. Serenbetz, a stockholder and director until December 15, 2004, as an executive consultant. The Consultation Services Agreement was terminated in January 1995. Under the terms of the agreement compensation continued through December 2002 and payment of health related costs will continue through December 31, 2007. The final payment under the terms of the Consultation Services Agreement was made in January 2003. Compensation under this agreement was \$492 in 2002.

Eurochassis L.P., a New Jersey limited partnership in which Raoul J. Witteveen, our former President and Chief Operating Officer, is one of the limited partners and the general partner, leases 100 chassis to Trac Lease, a subsidiary of Interpool. Annual lease expense amounted to \$86 for the year ended December 31, 2004 and approximately \$91 for each of the years ended December 31, 2003 and 2002. The annual lease term renews automatically unless canceled or renewed under renegotiated lease rate terms by either party prior to the first day of the renewal period. The members of the Board of Directors have unanimously determined that the terms of all arrangements between Eurochassis L.P. and Trac Lease are beneficial and fair to the Company.

In January 1998, the Company entered into a non-exclusive Consulting Agreement with Atlas Capital Partners, LLC ("Atlas") pursuant to which Atlas provided investment banking consultation services. Mitchell I. Gordon, a Director of Interpool from 1998 to October 2003 and Chief Financial Officer and Executive Vice President from October 2000 to July 2003 also served as president of Atlas when the Consulting Agreement was entered into. Under the terms of the Consulting Agreement, Atlas was to have been paid \$240 (plus reimbursement of reasonable expenses), additional compensation of \$560 and a twenty percent carried interest in investments made with funds provided by Interpool. In addition, Atlas was contractually entitled to an annual bonus in an amount that is usual and customary in the investment banking business for investment opportunities actually completed by the Company subject to set-off of the \$560 additional compensation. In 2000, other compensation in the amount of \$1,650 to be paid over three years, was earned by Atlas in connection with the acquisition by the Company of the North American Intermodal Division of Transamerica. As of October 2000, the Consulting Agreement was terminated with the exception of the deferred compensation related to the acquisition of Transamerica. Mr. Gordon resigned as an officer and director of the Company in 2003.

Chassis Holdings I, LLC

The Ivy Group, which is a New Jersey general partnership composed directly or indirectly of Martin Tuchman, Radcliff Group, Inc., Raoul J. Witteveen, Thomas P. Birnie and Graham K. Owen, has previously leased chassis to Trac Lease, Inc. ("Trac Lease"). As of December 31, 2000, pursuant to various equipment lease agreements, Trac

Lease leased 6,047 chassis from The Ivy Group and its principals for an aggregate annual lease payment of approximately \$2,900. On January 1, 2001, the various leases for the 6,047 units were combined into a single lease pursuant to which The Ivy Group and its principals were paid an aggregate lease payment of \$2,691 through June 30, 2001. On July 1, 2001, the Company restructured its relationship with The Ivy Group and its principals to provide the Company with managerial control over 6,047 chassis previously leased by Trac Lease, a wholly owned subsidiary of the Company, from The Ivy Group. As a result of the restructuring, the partners of The Ivy Group contributed these 6,047 chassis and certain other assets and liabilities to a newly formed subsidiary, Chassis Holdings I, LLC ("Chassis Holdings"), in exchange for \$26,000 face value of preferred membership units and 10% of the common membership units, and Trac Lease contributed 902 chassis and \$2 in cash to Chassis Holdings in exchange for \$3,000 face value of preferred membership units and 90% of the common membership units. The preferred membership units are entitled to receive a preferred return prior to the receipt of any distributions by the holders of the common membership units. The value of the contributed chassis was determined by taking the arithmetic average of the results of independent appraisals performed by three nationally recognized appraisal firms in connection with the Company's establishment of a chassis securitization facility in July 2000. As the managing member of Chassis Holdings, Trac Lease exercises sole managerial control over the entity's operations. Chassis Holdings leases all of its chassis to Trac Lease at a rental rate equal to the then current Trac Lease fleet average per diem. Chassis Holdings and the holders of the preferred membership units are party to a Put/Call Agreement which provides that the holders of preferred units may put such units to Chassis Holdings under certain circumstances and Chassis Holdings may redeem such units under certain circumstances. Chassis Holdings will be required to make certain option payments to the holders of the preferred membership units in order to preserve its right to redeem such units.

Based on 90% common unit ownership held by Trac Lease, the Company's Consolidated Financial Statements include the accounts of Chassis Holdings. The Ivy Group's interest in the common and preferred units of Chassis Holdings of approximately \$26,326 is classified as minority interest in equity of subsidiaries in the accompanying Consolidated Balance Sheets. Dividends paid on the common units and distributions on the preferred units totaling \$3,071, \$2,906 and \$3,120 for the years ended December 31, 2004, 2003 and 2002, are included in minority interest (income)/expense, net in the accompanying Consolidated Statements of Income.

The members of the Board of Directors have unanimously determined that the terms of all arrangements between The Ivy Group and Trac Lease, including the formation of Chassis Holdings, are beneficial and fair to the Company.

PCR Transactions

In July 2000, Yardville National Bank (a subsidiary of an entity in which the Company's Chief Executive Officer owns approximately five percent of the common stock and serves on the Executive Committee of the Board of Directors) extended a revolving credit facility of \$2,500 to PCR, secured by substantially all of PCR's assets. On August 31, 2000 this facility was increased to \$5,000.

In connection with the sale of PCR in December 2001, Martin Tuchman and Raoul Witteveen agreed in March 2002 to guarantee this line of credit between PCR and Yardville National Bank which had been reduced to \$3,000 and the Company was released from a guarantee it had previously executed. This guarantee was subsequently paid off through advances made to PCR by The Ivy Group. PCR's line of credit with Yardville National Bank was reduced to \$1,656 in March 2002 and later increased to \$2,000 in September 2002. Advances amounting to \$698 and \$1,983 in 2003 and 2002, respectively, were made to PCR by The Ivy Group to pay off borrowings under the line of credit and to provide working capital. The Ivy Group is a partnership controlled by certain current and former officers and directors of the Company. The advances made by The Ivy Group to PCR are considered capital contributions to the Company and payments by the Company to PCR. The payments to PCR have been determined to be uncollectible and have been expensed by the Company and included in other (income)/expense, net. Payments made in 2002 amounting to \$1,983 were included in additional paid-in-capital. The remaining payments made in 2003 of \$698 were recorded in additional paid-in-capital during 2003 when the payments were made.

Since 2000, the Company has guaranteed PCR debts due to third parties totaling \$5,000. At December 31, 2002, with PCR in liquidation, a determination was made that it was probable that the Company would incur costs related to the guarantee. As a result, the Company recorded a liability for \$4,429 representing its guarantee of PCR debts, net of amounts collected related to PCR's liquidation. This amount is included in accounts payable and accrued expenses in the December 31, 2003 Consolidated Balance Sheet. The \$5,000 guarantee was paid off through a secured financing arrangement with another financial institution completed by the Company in July 2004.

Bank Loans

In September 2000, Yardville National Bank (a subsidiary of an entity in which the Company's Chief Executive Officer owns approximately five percent of the common stock and serves on the Executive Committee of the Board of Directors) provided a revolving line of credit to the Company. The line of credit was initially \$9,750 and was secured by equipment and the related leases. The interest rate was Yardville National Bank's base interest rate minus 0.5%. The Company utilized a portion of this facility from inception through April 2002 when the loan balance was paid and the facility ended.

In April 2003 and August 2003 the Company borrowed \$16,000 and \$7,000, respectively, from Yardville National Bank. The term of the \$16,000 loan was three years with thirty-four fixed monthly principal payments of \$250 commencing May 25, 2003 and a final principal payment of \$7,500 due on March 25, 2006. Interest was payable monthly, at an initial rate of 4.25%, and was adjusted monthly to the prime rate as published in the Wall Street Journal subject to a 4% minimum and 5% maximum per annum rate.

The term of the \$7,000 loan was five years with fifty-nine monthly principal payments of \$75 commencing September 7, 2003 and a final principal payment of \$2,575 due on August 7, 2008. Interest was payable monthly, at an initial rate of 4%, and was adjusted monthly to the prime rate as published in the Wall Street Journal subject to a 4% minimum and 6% maximum per annum rate.

During November 2004, the Company paid in full both of these facilities. In connection with our borrowings from Yardville National Bank, our Board of Directors unanimously determined that the interest rate and other terms of such borrowings were at least as favorable to us as could have been obtained in an arms-length transaction with an unrelated third party.

Fathom Co., LTD Agency Fees

The Company paid Fathom Co., LTD ("Fathom"), its local representative in Taiwan, \$116 for each of the years ended December 31, 2004, 2003 and 2002 to represent the Company with the Taiwan depots that store and repair damaged containers and to provide customer support. Fathom is owned by a Regional Vice President of Interpool Limited (who is not an executive officer of the Company) and members of his family. Management has determined that the fee for these services between Fathom and Interpool Limited are beneficial and fair to the Company.

Summary of Related Party Transactions

The effects of the above related party transactions included in the accompanying Consolidated Statement of Income are as follows:

	2004	2003	2002
	----	----	----
Lease operating expense	\$3,157	\$2,997	\$3,234
	=====	=====	=====
Administrative expense	\$116	\$157	\$857
	=====	=====	=====
Other (income)/expense, net	\$---	\$---	\$2,763

	=====	=====	=====
Interest expense	\$733	\$540	\$40
	=====	=====	=====

(11) Relationship with CAI:

The Company holds a 50% common equity interest in CAI, which it acquired in April 1998. CAI owns and leases its own fleet of containers and also manages, for a fee, containers owned by the Company and third parties. The Company entered into its operating relationship with CAI primarily to facilitate the leasing in the short-term market of containers coming off long-term operating lease, to gain access to new companies looking to lease containers on a long-term basis and to realize cost efficiencies from the operation of a coordinated container lease marketing group. For containers managed by CAI for the Company on a short-term basis, the Company earns the net operating income and pays CAI a fee for managing its equipment and leasing it on its behalf. The calculation is based on the average daily net operating income of CAI's fleet of owned, leased-in and managed containers (including the portion of CAI's fleet that consists of the Company's equipment) for each day such managed containers are part of the CAI fleet. The marketing group, which is organized as a wholly-owned subsidiary of the Company, is responsible for soliciting container lease business for both the Company and CAI, including long-term operating and direct financing lease business and short-term lease business on master lease agreements. The Company has a right to purchase all long-term operating and direct financing lease business generated by the marketing group, subject to the Company offering to CAI, at cost, 10% of this long-term operating and direct financing lease business. By mutual agreement, CAI has purchased for its own account long-term operating and direct financing lease business the marketing group has generated in excess of such amounts. During 2003, CAI sold containers to Interpool in the amount of \$5,890 and recorded a gain on these sales of \$557. During 2002, CAI sold containers to Interpool in the amount of \$38,705 and recorded a gain on these sales of \$5,102. These gains have been eliminated from the accompanying Consolidated Financial Statements. There were no sales between CAI and Interpool during 2004. Such equipment, as well as certain other containers purchased from time to time, are currently managed for the Company by CAI for a fee based upon the actual net operating income earned by such containers.

The 50% equity interest in CAI not held by the Company is owned by CAI's chief executive officer. Under the terms of a Shareholder Agreement entered into in 1998 between the Company and CAI's chief executive officer, since an initial public offering for the registration and sale of CAI's common stock has not been initiated before April 2003, CAI's chief executive officer has the right to request an independent valuation of CAI. Such independent valuation of CAI has not been requested. However, following the completion of such an appraisal, the Company has the right to make a written offer to acquire the chief executive officer's equity for an amount equal to 50% of the fair value of CAI as indicated in the appraisal. If an offer is not made by the Company, CAI's chief executive officer has a right to require CAI to take the necessary steps to effect an initial public offering to sell his equity. All costs associated with an initial public offering of CAI would be borne by CAI.

In connection with the acquisition of its equity interest in CAI, the Company loaned CAI \$33,650 under a Subordinated Note Agreement (Note), which is collateralized by all containers owned by CAI as of April 30, 1998 or thereafter acquired, subject to the priority security interest lien of CAI's senior credit facility, except for certain excluded collateral. Interest on the Note is at an annual fixed rate of 10.5% and is payable quarterly. The original repayment terms required mandatory quarterly principal payments of \$1,683 beginning July 30, 2003 through April 30, 2008. The Note was subject to certain financial covenants and was cross-collateralized with CAI's senior credit facility, subject to the terms of a subordination agreement.

On June 27, 2002, CAI entered into an amended \$110,000 senior revolving credit agreement with a group of financial institutions. To facilitate the closing of this new credit facility, the Company agreed to extend the repayment terms of its Note so as to require mandatory quarterly principal payments of \$1,683 beginning July 30, 2006 through April 30, 2011 and modified certain financial covenants in the Note. Interest on the Note continues to accrue at an annual fixed rate of 10.5% and is payable quarterly. The Note continues to be cross-collateralized with CAI's senior credit

agreement, subject to the terms of an amended and restated subordination agreement. At the same time, the Company was granted the right to appoint a majority of CAI's board of directors. As a result of these transactions and gaining a majority position on CAI's board, the Company's financial statements include CAI as a consolidated subsidiary commencing June 27, 2002. Previously, CAI was accounted for under the equity method of accounting. The Company's share of the equity losses of CAI for the period from January 1, 2002 through June 26, 2002 have been recorded in losses for investments accounted for under the equity method in the accompanying Consolidated Statement of Income. Since June 27, 2002 CAI's results of operations have been included in the appropriate captions on the accompanying Consolidated Statements of Income. The assets and liabilities of CAI at December 31, 2004 and 2003, after elimination of intercompany transactions, have been included on the accompanying Consolidated Balance Sheets.

A total of \$65,000 and \$87,000 was outstanding under CAI's senior revolving credit facility at December 31, 2004 and 2003, respectively. Borrowings under CAI's senior credit facility are secured by substantially all of CAI's assets, other than certain excluded assets, and are payable on June 27, 2005. CAI is currently in discussions with its lenders regarding a renewal of its senior revolving credit facility. The senior credit facility contains various financial and other covenants. At December 31, 2004, CAI was in compliance with these covenants.

The senior credit facility was amended in May 2003 to increase the letter of credit commitment by the lenders administrative agent.

In addition, CAI has entered into sale-leaseback transactions with third parties pursuant to which CAI sells maritime shipping containers to such third parties and then leases the shipping containers back from such third parties. Certain of these leases contain financial and other covenants. At December 31, 2004, CAI was in compliance with these covenants.

During the period from 1998 to December 2003, there were several inter-company transactions wherein Interpool acquired equipment, and the related leases from CAI, at terms that resulted in a profit for CAI. These transactions were negotiated on an arms-length basis and management believes that the terms are similar to those that a third party would have negotiated with CAI under the circumstances.

During 2004, 2003, and 2002, Interpool paid CAI \$1,761, \$1,774 and \$2,189 respectively for the management of its equipment.

Subsequent to June 27, 2002, revenues and expenses for transactions between the Company and CAI are eliminated in consolidation. Minority interest expense recorded by the Company for the year ended December 31, 2004 was \$5,696. This compares to minority interest income recorded by the Company for the year ended December 31, 2003 and the period from June 27, 2002 to December 31, 2002 of \$1,151 and \$1,306, respectively.

In April 2004, the Company reached an agreement with CAI resolving differences in interpretation of certain agreements with CAI including provisions governing payment of appropriate remedial compensation when an age disparity develops between the Company's containers managed by CAI and the balance of CAI's fleet. Pursuant to the agreement with CAI, the Company paid CAI \$2,000 for resolution of all disputes through February 29, 2004. The impact of this agreement, was a reduction in consolidated pre-tax income of \$1,000 (\$600 net of tax).

(12) Retirement plans:

Certain subsidiaries have defined contribution plans covering substantially all full-time employees. Participating employees may make contributions to the plan, through payroll deductions. Matching contributions are made by the Company equal to 75% of the employee's contribution to the extent such employee contribution did not exceed 6% of their compensation. During the years ended December 31, 2004, 2003 and 2002, the Company expensed approximately \$533, \$454 and \$423, respectively, related to this plan. These amounts are included in administrative

expense on the Consolidated Statement of Income.

(13) Segment and geographic data:

The Company and its subsidiaries conduct business principally in a single industry segment, the leasing of intermodal dry freight standard containers, chassis and other transportation related equipment. Within this single industry segment, the majority of the Companies operations come from two reportable segments: container leasing, and domestic intermodal equipment leasing. The container leasing segment specializes primarily in the leasing of dry freight standard containers, while the domestic intermodal equipment segment specializes primarily in the leasing of intermodal container chassis. The Company also had limited operations in a third reportable segment that specialized in leasing microcomputers and related equipment.

The computer leasing segment consisted of two subsidiaries, Microtech Leasing Corporation ("Microtech") and Personal Computer Rentals ("PCR"). During the third quarter of 2001, the Company adopted a plan to exit this segment. As of December 31, 2002 the assets of Microtech continued to be liquidated and PCR's financial condition had deteriorated. PCR ceased active operations and liquidated in 2003. (See Note 6 to the Consolidated Financial Statements) As of December 31, 2004, all assets of Microtech and PCR were liquidated. For the year ended December 31, 2002, expenses related to the liquidation of PCR are included in the Domestic Intermodal Equipment segment.

Beginning June 27, 2002 the container leasing segment includes revenues and expenses and related balance sheet accounts for CAI, previously accounted for under the equity method of accounting.

The accounting policies of the segments are the same as those described in Note 1. The Company evaluates performance based on profit or loss before income taxes. The Company's reportable segments are strategic business units that offer different products and services. All significant transactions between segments have been eliminated. Historically, funds have been borrowed by Interpool, Inc. Trac Lease, and Interpool Limited (or their subsidiaries). Interpool, Inc. has borrowed all of the Company's public debt. Trac Lease and Interpool, Inc. comprise the Company's domestic intermodal equipment segment, and Interpool Limited and CAI comprise the container leasing segment. For purposes of segment reporting the outstanding debt and related interest expense are recorded by the borrowing entity. Advance rates for secured loans have been approximately the same for both chassis and containers, and have generally been in the 75-85% range. To the extent that we lease chassis equipment in from other parties, the effective advance rate is generally 100%.

Segment Information:

2004 ----	Container Leasing -----	Domestic Intermodal Equipment -----	Computer Leasing Equipment -----	Tot ---
Equipment leasing revenue	\$181,485	\$206,698	\$---	\$38
Other revenue	8,671	7,533	---	1
Lease operating and administrative expenses	46,674	98,594	7	14
Provision for doubtful accounts	950	526	---	
Fair value adjustments for derivative instruments (restated)	(1,303)	(208)	---	(
Fair value adjustment warrants	---	49,222	---	4
Depreciation and amortization	57,161	32,297	---	8
Impairment of leasing equipment	1,373	3,237	---	

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Gain on settled insurance litigation	(3,781)	(2,486)	---	(
Other (income)/expense, net and minority interest	(8,485)	1,171	---	(
Income for investments under equity method	---	(416)	---	
Interest income	(1,865)	(1,520)	(5)	(
Interest expense	36,347	75,666	---	11
Income / (loss) before income taxes (restated)	63,085	(41,852)	(2)	2
Net investment in DFL's	277,461	85,984	---	36
Leasing equipment, net	685,786	893,410	---	1,57
Equipment purchases	212,402	37,919	---	25
Total segment assets	\$1,107,813	\$1,296,248	\$25	\$2,40

	2003	Container Leasing	Domestic Intermodal Equipment	Computer Leasing Equipment	Tot
	----	-----	-----	-----	-----
Equipment leasing revenue		\$175,131	\$198,552	\$604	\$3
Other revenue		11,838	15,987	---	
Lease operating and administrative expenses (restated)		54,193	109,218	106	1
Provision for doubtful accounts		2,005	2,634	(391)	
Fair value adjustments for derivative instruments (restated)		(657)	(1,099)	---	
Depreciation and amortization		56,677	30,821	---	
Impairment of leasing equipment		2,688	6,361	---	
Other (income)/expense, net and minority interest		(5,085)	1,745	171	
Losses for investment under equity method		---	1,698	---	
Interest income		(2,636)	(1,318)	(6)	
Interest expense		33,202	73,485	1	1
Income/(loss) before income taxes (restated)		46,582	(9,006)	723	
Net investment in DFL's		330,090	96,716	9	4
Leasing equipment, net		747,377	889,339	---	1,6
Equipment purchases and investment in DFL's		279,888	66,887	---	3
Total segment assets		\$1,210,635	\$1,162,357	\$44	\$2,3

	2002	Container Leasing	Domestic Intermodal Equipment	Computer Leasing Equipment	Tota
	----	-----	-----	-----	-----
Equipment leasing revenue		\$138,276	\$185,283	\$1,521	\$325
Other revenue		8,094	11,761	---	19
Lease operating and administrative expenses		40,212	76,303	508	117
Provision for doubtful accounts		325	5,939	1,579	7

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Fair value adjustments for derivative instruments	96	5,434	---	5
Depreciation and amortization	51,245	37,384	78	88
Impairment of leasing equipment	4,512	5,038	---	9
Other (income)/expense, net and minority interest	(3,052)	4,579	1,450	2
Losses for investment under equity method	---	6,603	---	6
Interest income	(2,243)	(2,395)	---	(4)
Interest expense	27,182	81,016	146	108
Income/(loss) before income taxes	\$28,093	\$ (22,857)	\$ (2,240)	\$2

The Company's shipping line customers utilize international containers in world trade over many varied and changing trade routes. In addition, most large shipping lines have many offices in various countries involved in container operations. The Company's revenue from international containers is earned while the containers are used in service carrying cargo around the world, while certain other equipment is utilized in the United States. Accordingly, the international information presented below represents our international container leasing operation conducted through Interpool Limited, a Barbados corporation, while the United States information presented below represents our domestic intermodal equipment leasing segment, as well as those revenues and assets relative to CAI which is headquartered in the United States of America. Such presentation is consistent with industry practice.

Geographic Information:

EQUIPMENT LEASING REVENUE	2004	2003	2002
	----	----	----
United States	\$251,019	\$236,126	\$205,923
International	137,164	138,161	119,157
	-----	-----	-----
	\$388,183	\$374,287	\$325,080
	=====	=====	=====
 LEASING EQUIPMENT, NET:			
United States	\$1,034,212	\$1,049,875	
International	544,984	586,841	
	-----	-----	
	\$1,579,196	\$1,636,716	
	=====	=====	
 ASSETS:			
United States	\$1,477,714	\$1,354,921	
International	926,372	1,018,115	
	=====	=====	
	\$2,404,086	\$2,373,036	
	=====	=====	

(14) Capital stock:

The Company's 2004 Stock Option Plan for Key Employees and Directors (the "2004 Plan"), was adopted by the Board of Directors, and approved by the stockholders at the Company's Annual Meeting of Stockholders, on December 15, 2004. A total of 1,500,000 shares of common stock have been reserved for issuance under the 2004 Plan. Options may be granted under the 2004 Plan, at the discretion of the Compensation Committee of the Board of Directors (the "Compensation Committee"), to key employees and directors (whether or not they are employees) of Interpool, Inc. and its subsidiaries. The number of shares that may be the subject of options granted during any

calendar year to any one individual cannot exceed 250,000 shares. No options were granted under this plan during 2004.

Previously, the Company maintained a 1993 Stock Option Plan for Executive Officers and Directors (the "1993 Stock Option Plan"). A total of 3,803,063 options are currently outstanding under the 1993 Stock Option Plan. No further options may be granted under the 1993 Stock Option Plan.

The Company's 1993 Stock Option Plan was adopted by the Company's Board of Directors and approved by the stockholders in March 1993. A total of 6,000,000 shares of common stock had been reserved for issuance under the Stock Option Plan. Options were granted under the Stock Option Plan to executive officers and directors of the Company or a subsidiary (including any executive consultant of the Company and its subsidiaries), whether or not they were employees. These options vested six months from date of grant and expired ten years from the date of grant.

The Company's 2004 Nonqualified Stock Option Plan for Non-Employee, Non-Officer Directors (the "2004 Directors Plan"), was also adopted by the Board of Directors, and approved by the stockholders at the Company's 2004 Annual Meeting of Stockholders on December 15, 2004. A total of 250,000 shares of common stock have been reserved for issuance under the 2004 Directors Plan. The exercise price per share is the fair market value of the Company's common stock on the date on which the option was granted. The options granted pursuant to the 2004 Directors Plan may be exercised at the rate of one-third of the shares on the first anniversary of the options' grant date and one-third of the shares on the second anniversary of the options' grant date and one-third of the shares on the third anniversary of the options' grant date, subject to applicable holding periods required under rules of the Securities and Exchange Commission. Options granted pursuant to the 2004 Directors Plan expire ten years from their grant date.

The 2004 Directors Plan provides for the automatic grant of nonqualified options to non-employee non-officer directors. Under the 2004 Directors Plan, each person who is not an employee or officer and who serves as a member of the Board of Directors received a grant of options for 15,000 shares of common stock on the business day following the annual meeting. As a result, options for 90,000 shares of common stock were granted on December 16, 2004 to six non-employee, non-officer directors at an exercise price of \$22.05. In addition, each person who becomes a non-employee non-officer director following the 2004 Annual Meeting will automatically receive a grant of options for 15,000 shares on the first business day after becoming a director. The 2004 Directors Plan also provides for additional automatic grants of options for 5,000 shares on an annual basis to each continuing director, other than an employee or officer, on the first business day following each future annual meeting, beginning with the annual meeting to be held during 2005.

Previously, the Company maintained the 1993 Non-Qualified Stock Option Plan for Non-Employee, Non-Consultant Directors (the "1993 Directors Plan"). A total of 45,000 options are currently outstanding under the 1993 Directors Plan. No further options may be granted under the 1993 Directors Plan.

The Company's 1993 Directors' Plan was adopted by the Board of Directors and approved by the stockholders in March 1993. The 1993 Directors' Plan is administered by the Compensation Committee of the Board of Directors. Under the 1993 Directors' Plan a nonqualified stock option to purchase 15,000 shares of common stock was automatically granted to each non-employee, non-consultant director of the Company, in a single grant at the time the director first joined the Board of Directors. The 1993 Directors' Plan authorized grants of options up to an aggregate of 150,000 shares of common stock. The exercise price per share is the fair market value of the Company's common stock on the date on which the option was granted (the "Grant Date"). The options granted pursuant to the 1993 Directors' Plan vested at the rate of 1/3 of the shares on the first anniversary of the director's Grant Date, 1/3 of the shares on the second anniversary of the director's Grant Date, and 1/3 of the shares on the third anniversary of the director's Grant Date, subject to certain holding periods required under rules of the Securities and Exchange Commission. Options granted pursuant to the 1993 Directors' Plan expire ten years from their Grant Date.

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Through September 16, 1998, options to purchase 4,408,501 shares under the Company's 1993 Stock Option Plan for Executive Officers and Directors had been granted, 22,500 of which expired due to failure to exercise and 22,500 of which were exercised. Options to purchase 90,000 shares were granted under the Company's 1993 Nonqualified Stock Option Plan for Non-employee, Non-consultant Directors, 45,000 of which expired due to failure to exercise and 15,000 of which were exercised.

On September 16, 1998 the Company canceled all but 22,500 of the 4,393,501 options then outstanding under its 1993 Stock Option Plan for Executive Officers and Directors and the Company's Nonqualified Stock Option Plan for Non-employee, Non-consultant Directors and issued 4,371,001 new options in their place. The newly issued options were granted with an exercise price equal to the closing market price of the Company's stock as of September 16, 1998 (the "date of grant"). This resulted in a new measurement date whereby the newly issued options vested six months from date of grant and expire ten years from date of grant. All other terms and conditions of the newly issued options were similar to the canceled options.

In connection with the resignation of Raoul Witteveen, the Company entered into a separation agreement that allows for Mr. Witteveen's outstanding stock options, all of which were fully vested as of the date of his resignation, to be exercisable until October 9, 2005, rather than ten business days after the termination of his employment as required by the 1993 Stock Option Plan. This modification resulted in the recognition of compensation expense of \$7,091. (See Note 1(B), Restatement to the Consolidated Financial Statements) Mr. Witteveen's future sale of common stock will be subject to certain volume restrictions and a right of first refusal on the part of the Company and its affiliates.

On September 5, 2002, options to purchase 50,000 shares of the Company's common stock were granted to Mitchell I. Gordon. The newly issued options were granted under the 1993 Stock Option Plan for Executive Officers and Directors with an exercise price equal to the closing market price of the Company's stock as of the grant date. The options were to vest 20% per year beginning January 1, 2003 and expire ten years from the grant date. In connection with the resignation of Mitchell I. Gordon, the Company entered into a separation agreement that provided for the immediate vesting of the options. The compensation cost recognized by the Company in July 2003, as a result of the immediate vesting of these options was \$496 (\$298 net of tax) and is included in administrative expenses in the accompanying Consolidated Statement of Income.

As of December 31, 2004, there were 1,750,000 shares of common stock reserved for issuance under the 2004 stock option plans. No options may be granted under the 1993 Plans which expired in March 2003.

Changes during 2004, 2003 and 2002 in options outstanding for the combined plans were as follows:

	2004		2003		2002	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding at January 1,	4,516,501	10.31	4,539,001	\$10.34	4,489,001	
Granted	90,000	22.05	---	---	50,000	
Exercised	668,438	10.25	22,500	15.58	---	
Outstanding at December 31,	3,938,063	10.59	4,516,501	\$10.31	4,539,001	
Exercisable at December 31,	3,798,063	10.30	4,466,501	\$10.29	4,384,001	

The following table summarizes information regarding stock options outstanding at December 31, 2004.

Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding December 31,	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable December 31,	Weighted Average Exercise Price
\$6.375	15,000	5.2	\$6.375	15,000	
10.25	3,683,063	2.8	10.25	3,683,063	
11.9375	100,000	5.8	11.9375	50,000	
13.73	50,000	7.7	13.73	50,000	
22.05	90,000	9.95	22.05	0	
\$6.375-22.05	3,938,063	3.1	\$10.59	3,798,063	

In connection with the Company's delayed SEC filings and the receipt of waivers from its lenders necessitated by the delayed filings, beginning in January 2004, the members of the Company's Board of Directors and certain affiliates who own shares of the Company's common stock agreed to defer their receipt of any dividend payments, until the Company was in compliance with all SEC filing requirements. As of December 27, 2004, the Company was no longer delinquent with regard to its SEC filings, and the deferred dividends described above were paid prior to December 31, 2004.

Common stock dividends declared and unpaid at December 31, 2004 and 2003 amounted to \$1,741 and \$2,516, respectively, and are included in accounts payable and accrued expenses in the accompanying Consolidated Balance Sheet.

Deferred Bonus Plan

In November 2002, the Company's Board of Directors approved a Deferred Bonus Plan (the "Plan") under which employees of the Company and its affiliates who received discretionary year-end bonuses of greater than \$50 received such bonuses partly in cash and partly in the form of an award of Interpool common stock. Under the Plan, the first \$50 of a participant's bonus amount was paid in cash. Any amount which exceeded \$50 but was less than \$150 was paid 50% in cash and 50% in stock. Any bonus amount which exceeded \$150 was paid 100% in stock. Bonus stock awards under this Plan cliff vest in equal installments over a five-year period, unless the recipient elected to have the award vest over a ten-year period or the Board of Directors specified another period. The unvested portion of any bonus stock award will vest immediately if a change in control of Interpool occurs, if the employee is terminated without cause, if the employee resigns for a good reason, if the employee dies or becomes permanently disabled, or in any other circumstance deemed appropriate by the Board of Directors. If a recipient resigns voluntarily without a good reason or is terminated for cause the employee will forfeit any unvested portion of any bonus stock award.

The number of shares of stock awarded was calculated by dividing the dollar value of the stock portion of the bonus by the average stock price for the last ten trading days ending on December 31 of the grant year.

Additional stock was awarded based on the vesting period selected by the employee. If a five year vesting period was selected, the shares were increased by 10%. If a ten year vesting period was selected the shares awarded were increased by 30%. Under the Plan, each employee granted a bonus stock award has a right from time to time to require the Company to purchase a total number of shares of stock equal to the number of shares of stock underlying the Participant's Bonus Stock Award. The shares may be vested shares or shares which were otherwise acquired by the participant providing that all shares were beneficially owned by the participant for at least 6 months. The purchase

price shall be equal to the fair market value of a share of stock on the trading day preceding the date of such purchase.

On January 2, 2003, under this Plan, the Company granted to eligible employees 139,067 shares of restricted stock that had a fair value of \$16.83 per share at the grant date. At the date of grant, \$2,342 of deferred compensation was credited to paid-in-capital with an offset to unamortized deferred compensation-stock grant in the equity section of the Consolidated Balance Sheet. Compensation costs are recognized ratably over the vesting periods during which the related employee service is rendered. During the fourth quarter 2003, in accordance with the terms of the separation agreement with the Company's previous President and Chief Operating Officer, 60,407 unvested shares with a value of \$1,018 were forfeited. This forfeiture resulted in the reversal of \$1,018 of previously recorded unamortized deferred compensation, as well as the reversal of previously recorded compensation expense of \$102. For the year ended December 31, 2003 compensation expense was \$140 and 60,407 shares with a value of \$1,018 lapsed. The unamortized deferred compensation remaining in stockholders equity was \$1,184 at December 31, 2003.

On January 2, 2004, under the Company's Deferred Bonus Plan, the Company granted to eligible employees 27,259 shares of restricted stock that had a fair value of \$13.60 per share at the grant date. At the date of grant, \$371 of deferred compensation was credited to paid-in capital with an offset to unamortized deferred compensation-stock grant in the equity section of the Consolidated Balance Sheet. During the first quarter of 2004, our Chief Executive Officer elected to voluntarily relinquish his entire 2002 bonus. This resulted in the forfeiture of 60,407 unvested shares of restricted stock valued at \$1,017. This forfeiture resulted in the reversal of \$916 of previously recorded unamortized deferred compensation expense, as well as the reversal of previously recorded compensation expense of \$101. Excluding the reversal of previously recorded compensation related to this forfeiture, compensation expense for the year ended December 31, 2004 was \$85. The unamortized deferred compensation remaining in stockholders equity was \$554 at December 31, 2004. In September 2004, the Board of Directors terminated the Deferred Bonus Plan. All stock previously granted under this Plan will continue to be subject to the terms of the Plan. However, future bonuses will not be subject to the terms of the Deferred Bonus Plan.

Stock Appreciation Rights

On July 1, 2004, in connection with employment agreements with certain executive officers, the Company granted common stock appreciation rights ("SARS") that provide for the grantees to receive cash payments measured by any appreciation in the market price of the common stock over a specified base price. The Company granted such stock appreciation rights with respect to a total of 275,000 share units at a base price of \$14.05. The \$14.05 base price reflected the price on the over-the-counter market on February 20, 2004, the business day before the date on which the terms of the stock appreciation rights were fixed. The grant of stock appreciation rights was subsequently ratified by the Board of Directors on March 30, 2004, by which time the closing price of the Company's common stock had increased to \$15.00. At July 1, 2004, the date the employment agreements became effective, the most recent closing stock price of the Company's common stock was \$16.55. Under the terms of the employment agreements, a total of 260,000 of these stock appreciation rights vest in 2005 with the remaining 15,000 rights vesting in three equal installments on December 31, 2006, 2007 and 2008. Any unvested stock appreciation rights will vest immediately upon a change in control. Upon vesting, these stock appreciation rights may be exercisable at any time prior to the expiration of the earlier of 10 days following the termination of the employee or June 30, 2014.

FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans*, requires interim calculations of the amount of compensation expense inherent in the SARS (variable plan accounting). This amount is equal to the increase in the quoted market price since date of grant or award multiplied by the total number of rights outstanding. Compensation expense is recognized ratably over the vesting periods during which the related employee service is rendered. At December 31, 2004, the quoted market price of the Company's common stock was \$24.00. Compensation expense for the year ended December 31, 2004 was \$2,120 and is included in administrative expense on the Consolidated Statements of Income.

Share Repurchases

In December 2004, Warren L. Serenbetz (a former member of the Company's Board of Directors) advised the Company that he intended to exercise 668,438 stock options which represented the remaining options issued to him under the terms of the 1993 Stock Option Plan. In addition, Mr. Serenbetz requested, and the Compensation Committee of the Board of Directors allowed him, to exercise these options on a cashless basis. While the cashless exercise of options is allowed under the terms of the 1993 Stock Option Plan with Board of Directors approval, it is not the intent of the Company to allow this in most cases. The Board of Directors considered Mr. Serenbetz's request in light of the limited period of time he had to exercise these options having resigned as a Board member, and approved his request at a meeting held on December 15, 2004. These options had an exercise price of \$10.25 per share and the market value at the date he exercised his options was \$22.05 per share.

In connection with the cashless exercise feature, the Company withheld 310,725 shares with a market value of \$6,852 representing the cost to Mr. Serenbetz of exercising these options. In addition, the Company withheld 110,086 shares with a market value of \$2,427 representing the amounts advanced to Mr. Serenbetz for the payment of his minimum taxes related to the exercise. The remaining 247,627 shares were issued to Mr. Serenbetz.

The 420,811 shares withheld by the Company for the exercise price of the options and Mr. Serenbetz's minimum taxes have been recorded as treasury shares, at their market value at the date of exercise on the accompanying Consolidated Balance Sheets. The exercise also resulted in the issuance of 668,438 shares at a par value of \$.001 and increased additional paid-in-capital by \$6,852. In addition, since these options were granted to Mr. Serenbetz as compensation for services rendered, the Company is entitled to claim a tax deduction for non-employee compensation on its 2004 federal tax return. Since the Company did not recognize compensation expense on the grant or exercise of these options, the tax benefit (amounting to \$3,154) has been recorded in additional paid-in-capital at the time these options were exercised.

No shares were repurchased in 2003. During 2002, the Company purchased 9,300 shares for an aggregate purchase price of \$130.

(15) Gain on Sale of Land:

In April 2002, the Company sold an industrial property and recorded a gain of \$4,766, which is included in other (income)/expense, net for the year ended December 31, 2002 in the accompanying Consolidated Statements of Income.

(16) Settled Insurance Litigation:

In connection with an insurance claim related to the default of a South Korean customer and a subsequent lawsuit filed by the insurance carriers against the Company, on June 17, 2004 the Company signed an agreement settling the lawsuit and its claims under the policy. Under the terms of the settlement agreement, the insurance carriers paid the Company a total of \$26,400 during 2004. In addition, the Company received the right to retain any of the equipment it had recovered since the date of the claim. The Company recognized a pre-tax gain of \$6,267 related to the \$26,400 settlement, which is recorded in gain on insurance settlement on the Consolidated Statements of Income.

(17) Subsequent Events:

July 2004 Protocol to the United States and Barbados Tax Treaty

Through December 31, 2004 Interpool Limited claimed treaty benefits under the United States and Barbados income tax treaty ("pre-2005 Treaty"). The pre-2005 Treaty contained a limitation on benefits provision which denies treaty benefits under certain circumstances. However, Interpool Limited did not fall within the pre-2005 Treaty's limitation on benefits provision.

On July 14, 2004, the United States and Barbados signed a protocol to the pre-2005 Treaty which was ratified on December 20, 2004 ("post-2004 Treaty") that contains a more restrictive limitation on benefits provision than the pre-2005 Treaty. The post-2004 Treaty took effect on January 1, 2005 following its ratification by the United States Senate and the government of Barbados on December 20, 2004. Under the post-2004 Treaty, Interpool Limited is only eligible for Treaty benefits with respect to its container rental and sales income if, among other things, Interpool, Inc., is listed on a "recognized stock exchange" and Interpool, Inc.'s stock is "primarily" and "regularly" traded on such exchange.

During April 2004, the Company was de-listed by the New York Stock Exchange. During this de-listing, its common stock was traded on the over-the-counter market under the symbol IPLI. In December 2004, after making all delinquent SEC filings, the Company applied for re-listing on the New York Stock Exchange. On January 13, 2005 Interpool, Inc. was again listed, and began trading, on the New York Stock Exchange. Interpool believes this listing and its current trading volume satisfies the "primarily" and "regularly" traded requirements of the post-2004 Treaty, and Interpool Limited qualified for benefits under the post-2004 Treaty on January 13, 2005. We have estimated there should be no U.S. current tax expense for the period from January 1, 2005 to January 12, 2005.

Financing Activities

During the first quarter of 2005 the Company received an additional \$223,000 in net financing commitments. Commitments were received totaling \$248,000 under a financing facility established on November 1, 2004 from six financial institutions while the Company cancelled a financing commitment for \$25,000 that existed as of December 31, 2004. This commitment was cancelled to allow the financial institution involved to provide a larger commitment to a facility already established during December 2004. As of the date this Form 10-K was filed, none of these additional commitments had been utilized.

During February 2005, the Company entered into a lease arrangement with a Japanese lessor involving \$29,922 of equipment previously financed with a financial institution during December 2003 and May 2004. The Company expects to close in two approximately equal tranches, the first of which occurred on February 28, 2005, and the second of which is expected to close by March 31, 2005. The lease ends in December 2008, and we have a fixed purchase option at that time for \$19,449 that we expect to exercise. The aggregate fixed rate of interest on the lease is 7.44%. The company received additional cash proceeds totaling \$4,210 at the February closing and expects to receive a comparable amount at the March closing.

Relisting by the New York Stock Exchange

On January 13, 2005, our common stock was listed on the New York Stock Exchange under the symbol "IPX."

Rating Agency Actions

On December 17, 2004, Moody's placed the Company's ratings on review for possible upgrade. At that time, Moody's indicated that an increase in the Company's ratings of several "notches" could result in the near-term based on the pace at which our credit profile has improved. Subsequently, on March 4, 2005, Moody's revised its outlook for the Company from "possible upgrade" to "positive", and raised their rating for our senior implied debt to B2 from Caa2, their rating for our senior unsecured debt to B3 from Caa3, and their rating for our preferred stock to Caa2 from Ca. On February 11, 2005, Standard & Poor's Rating Services affirmed Interpool's ratings, removed us from CreditWatch, and increased their outlook for the Company from "negative" to "stable."

Amendment to Separation Agreement

In January 2005, in response to a recent change in United States tax laws potentially affecting future payments to be made to the Company's former President and Chief Operating Officer under his separation agreement, the Company

and the Company's former President and Chief Operating Officer entered into a modification to his separation agreement pursuant to which, in lieu of the remaining monthly payments through October 2005 and other amounts to which the Company's former President and Chief Operating Officer would have been entitled under his original separation agreement, the Company paid him a lump sum of \$467. To secure the performance of his future obligations to the Company under the separation agreement, the Company's former President and Chief Operating Officer pledged a total of 22,114 shares of the Company's common stock (having a market value at that time of approximately \$520). Such pledged shares will be released to the Company's former President and Chief Operating Officer in installments through October 2005, subject to his continued compliance with his obligations under the modified separation agreement.

Mortgage Refinancing

During February 2005, the Company re-financed the mortgage on its offices on the 27th floor at 633 Third Avenue, New York, NY. The proceeds of the new mortgage were \$3,550, and were used to repay the previous mortgage (\$3,480) plus related fees and expenses. The interest rate on the new mortgage is fixed at 5.75%. Amortization is based on a 30 year term, and the mortgage matures in five years with one five year extension available at the Company's option. Such extension would be at an interest rate of 2.50% above the Federal Home Loan Bank borrowing rate for member banks at that time, but not less than the current rate, and would require payment of a 1.0% fee.

Notes Receivable

In 1997, the Company acquired a 37% equity interest in a company that supplies clinical trial materials management to the pharmaceutical industry. This investment has been accounted for under the equity method of accounting. At December 31, 2004, the carrying value of the Company's investment of \$1,814 is included in other assets on the accompanying Consolidated Balance Sheets.

During 1999 and 2001, the Company lent a total of \$1,946 to this equity investee at an interest rate of 12%. The investee requested and received multiple extensions for the repayment of these notes. As a result, the Company treated these notes as non-performing and stopped recording interest income.

On February 2, 2005 the Company received a payment of \$3,497 from the investee representing payment in full of the notes receivable and all accrued interest amounting to \$1,551. This interest will be recognized in earnings during the three months ended March 31, 2005.

(18) Quarterly financial data (unaudited)

A. Restatement of previously reported quarterly results related to hedging transaction

In April 2003, the Company had re-designated certain swap agreements to a number of its debt instruments. The documentation of these hedging relationships did not meet the criteria of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133") to achieve hedge accounting treatment. Thus, because the hedge documentation requirement of SFAS 133 was not met, beginning in April 2003 when the hedge documentation was changed, hedge accounting is precluded on the five then existing interest rate swaps. In addition, two additional swap agreements were entered into by the Company after April 2003. The documentation of these swap agreements was the same.

Because the Company no longer qualifies for hedge accounting on these swap agreements, the amounts previously recorded in accumulated other comprehensive loss through March 31, 2003 (amounting to \$3,037) have been amortized over the remaining life of the associated debt (using the effective interest method) and the change in the

value of the derivatives from March 31, 2003 have been recorded as a fair value adjustment for derivative instruments in the accompanying Consolidated Financial Statements. These debt instruments were fully repaid by the Company in December 2004 at which time the remaining amount in accumulated other comprehensive loss was recorded as fair value adjustment for derivative instruments in the accompanying Consolidated Statement of Income. In addition, the swap agreements have been treated as speculative hedges for the period from April 1, 2003 until December 31, 2004. As a result, the quarterly changes to the market value of these swap agreements have been recorded as fair value adjustment for derivative instruments in the Consolidated Financial Statements. See Note 1(B) for further discussion of the accounting for these derivatives for the period from April 1, 2003 to December 31, 2003.

The Company had previously determined that the effect of this error for the period from April 1, 2003 to December 31, 2003 was immaterial to the 2003 consolidated financial statements and, therefore, recorded an entry to correct this error during the fourth quarter of 2004. This adjustment has been properly reflected in the 2003 and 2004 quarterly data included below and in the Consolidated Financial Statements included in this Form 10-K/A Amendment No. 2.

B. *Restatement of previously reported quarterly results related to the modification of a stock option award granted to the former President*

During the third quarter of 2005, the Company determined that it had not recorded the full amount of compensation expense required by U.S. generally accepted accounting principles ("GAAP") with respect to a separation agreement with Mr. Raoul Witteveen, its former President, which was entered into in connection with Mr. Witteveen's resignation in October 2003. When originally preparing the consolidated financial statements for the year ended December 31, 2003, the Company recorded compensation expense related to the cash separation payments it agreed to make to Mr. Witteveen. However, the separation agreement between the Company and Mr. Witteveen also contained a provision under which Mr. Witteveen's fully vested stock options, which had a five year remaining term at the time of his resignation, would instead expire two years after his resignation and therefore would not be subject to a provision of the 1993 Stock Option Plan under which vested options terminate if not exercised within ten business days after termination of employment. In the 2003 Consolidated Financial Statements, the Company should have re-measured the intrinsic value of the options (the difference between the market price of the underlying common stock and the exercise price of the options) at the date of modification and recorded the intrinsic value of the options at the modification date as additional compensation expense (non-cash) in the fourth quarter of 2003. As a result, the Company should have recorded additional compensation expense and additional paid-in capital of \$7,091 for the year ended December 31, 2003 resulting from the option modification. In addition, the Company should have recorded a deferred tax asset of \$2,837 for the tax benefit to be derived in the future related to the additional compensation expense. This adjustment would have resulted in an increase in stockholders' equity of \$2,837 and a reduction to net income for the year ended December 31, 2003 of approximately \$4,254.

The Consolidated Financial Statements included in this Form 10-K/A Amendment No. 2 and the quarterly tables below include the effect of the adjustments required to correct this error.

	2004 As Restated			
	1st	2nd	3rd	4th (b)
Equipment leasing revenue	\$94,937	\$95,712	\$98,353	\$99,181
Net income/(loss)	\$10,207	\$21,205	\$15,036	\$(38,579)
Basic income/(loss) per share	\$0.37	\$0.77	\$0.55	\$(1.41)
Diluted income/(loss) per share	\$0.35	\$0.71	\$0.50	\$(1.41)

2004
As Reported

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	1st ---	2nd ---	3rd ---	4th(b) -----
Equipment leasing revenue	\$94,937	\$95,712	\$98,353	\$99,181
Net income	\$10,207	\$21,205	\$15,036	\$(38,019)
Basic income per share	\$0.37	\$0.77	\$0.55	\$(1.39)
Diluted income per share	\$0.35	\$0.71	\$0.50	\$(1.39)

2003
As Restated

	1st ---	2nd ---	3rd ---	4th -----
Equipment leasing revenue	\$89,868	\$91,549	\$95,119	\$97,751
Net income	\$11,769	\$11,778	\$6,700	\$7,249
Basic income per share	\$0.43	\$0.43	\$0.24	\$0.26
Diluted income per share	\$0.41	\$0.40	\$0.23	\$0.25

2003
As Reported

	1st ---	2nd ---	3rd ---	4th -----
Equipment leasing revenue	\$89,868	\$91,549	\$95,119	\$97,751
Net income	\$11,769	\$12,336	\$6,546	\$10,539
Basic income per share	\$0.43	\$0.45	\$0.24	\$0.38
Diluted income per share	\$0.41	\$0.42	\$0.23	\$0.36

2002
As Reported

	1st ---	2nd ---	3rd ---	4th(a) -----
Equipment leasing revenue	\$74,483	\$75,598	\$86,028	\$88,971
Net income/(loss)	\$6,190	\$4,265	\$3,032	\$(9,098)
Basic income/(loss) per share	\$0.23	\$0.16	\$0.11	\$(0.33)
Diluted income/(loss) per share	\$0.21	\$0.14	\$0.10	\$(0.32)

- (a) The net (loss) during the fourth quarter of 2002 was principally due to pre-tax impairment losses of \$5,715 relating to idle equipment, \$3,417 of pre-tax losses resulting from the Company's share of equity losses and write-downs for certain investments accounted for under the equity method and \$9,678 of pre-tax losses recognized as a result of the deteriorating financial condition of PCR.
- (b) The net (loss) during the fourth quarter of 2004 was primarily due to a non-cash expense of \$49,222 resulting from the change in fair value of warrants issued by us in connection with a Securities Purchase Agreement pursuant to which the Company sold \$150,000 of 6.0% notes due in 2014.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

- 31.1 Certification of Martin Tuchman.
- 31.2 Certification of James F. Walsh.
- 32.1 Certification of Martin Tuchman.
- 32.2 Certification of James F. Walsh.

(b) Financial Statement Schedules

Report of Independent Registered Public
Accounting Firm on Supplementary
Information.

Report of Independent Registered Public Accounting Firm on Supplementary Information

The Board of Directors
Interpool, Inc.:

We have audited and reported separately herein on the consolidated balance sheets of Interpool, Inc. and subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three year period ended December 31, 2004. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement Schedule II included in this Annual Report on Form 10-K/A. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated financial statement schedule based on our audits.

In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, in 2002 the Company changed its method of accounting for (i) goodwill and (ii) the impairment or disposal of long-lived assets.

As discussed in Note 1(B) to the consolidated financial statements, the Company has restated its consolidated balance sheets as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders equity and cash flows for each of the years in the two year period ended December 31, 2004.

(Signed) KPMG LLP

Short Hills, N.J.

March 28, 2005, except for Note 1(B) which is as of November 8, 2005

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

INTERPOOL, INC.
(Registrant)

November 8, 2005

By /s/ Martin Tuchman
Martin Tuchman
Chairman of the Board, Chief Executive Officer,
President, Chief Operating Officer, and Director
(Principal Executive Officer)

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

November 8, 2005	By <u>/s/ Martin Tuchman</u> Martin Tuchman Chairman of the Board of Directors, Chief Executive Officer, President, Chief Operating Officer and Director
November 8, 2005	By <u>/s/ Warren L. Serenbetz, Jr.</u> Warren L. Serenbetz, Jr. Director
November 8, 2005	By <u>/s/ Arthur L. Burns</u> Arthur L. Burns Executive Vice President, General Counsel and Director
November 8, 2005	By <u>/s/ Peter D. Halstead</u> Peter D. Halstead Director
November 8, 2005	By <u>/s/ Joseph J. Whalen</u> Joseph J. Whalen Director
November 8, 2005	By <u>/s/ Clifton H. W. Maloney</u> Clifton H. W. Maloney Director
November 8, 2005	By <u>/s/ James F. Walsh</u> James F. Walsh Executive Vice President and Chief Financial Officer
November 8, 2005	By <u>/s/ Brian Tracey</u> Brian Tracey Senior Vice President (Chief Accounting Officer)
November 8, 2005	By <u>/s/ Michael S. Mathews</u> Michael S. Mathews Director
November 8, 2005	By <u>/s/ William J. Shea, Jr.</u> William J. Shea, Jr. Director

INDEX TO EXHIBITS

Filed with Interpool, Inc. Report on Form 10-K/A

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