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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

|X| 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	**13-3467669**
(State or other jurisdiction of Incorporation or organization)	(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 |X| 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 |X| 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)

	YEAR ENDED DECEMBER 31				
	2004	2003(1) (2)	2002(1)(2)(3)	2001(1)(2)(4)	20
INCOME STATEMENT DATA:	**Restated**	**Restated**			
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	2
BALANCE SHEET DATA:	**Restated**	**Restated**			
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
Total assets	$2,404,086	$2,373,036	$2,241,944	$1,923,052	$2
Debt and capital lease obligations	$1,718,198	$1,715,687	$1,672,211	$1,429,680	$1
Stockholders' equity	$397,023	$386,477	$336,996	$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"TM 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 stockholder s 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)

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 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

(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
	(Dollars in millions)		
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	Less than 1 year	1-3 years	4-5 years
			Amounts Due by Period (Dollars in millions)	
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	$329.6	$325.2
Chassis Securitization Facility, interest at 5.99% and 5.59% at December 31, 2004 and 2003, respectively		
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

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 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:

Total New Debt and Capital Lease Obligations	**New Borrowings 2004**
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