INTERPOOL INC
Form 10-K/A
June 07, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Fiscal Year Ended December 31, 2003

or

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

For the Transition Period from __________ to ______________

Commission file number 1-11862

INTERPOOL, INC.

(Exact name of registrant as specified in the charter)

Delaware (State or other jurisdiction of Incorporation or organization)	**13-3467669** (I.R.S. Employer Identification Number)
211 College Road East, Princeton, New Jersey (Address of principal executive office)	**08540** (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 requirement for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent fliers 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 the 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 [ ]

As of May 31, 2005, the aggregate market value of the common stock, $.001 par value, held by non-affiliates of the registrant was approximately $218,201,379 based upon the closing price of $21.72 per common share as quoted on the New York Stock Exchange on May 31, 2005.

As of May 31, 2005, there were 27,639,853 shares of the registrant s common stock outstanding.

Explanatory Note

Interpool, Inc. (the "Company") is filing this Amendment No. 1 to Form 10-K (the "Amendment No. 1") to amend its Form 10-K for the year ended December 31, 2003, originally filed with the Securities and Exchange Commission (the "SEC") on August 18, 2004 (the "Original 2003 Form 10-K"), to revise Item 9A, "Controls and Procedures," in order to more clearly state the conclusion of our management that, due to the deficiencies in internal controls that we identified in the Original 2003 Form 10-K, our disclosure controls and procedures were not effective for the year ended December 31, 2003. These revisions to Item 9A are located in the third from the last and second from the last paragraphs of Item 9A. As required by SEC Rule 12b-15, we set forth below in this Amendment No. 1 the entire text of Item 9A, as amended.

In addition, subsequent to the filing of the Original 2003 Form 10-K, we determined that it would be necessary to make certain changes to the financial statements included in our Original 2003 Form 10-K. These changes, which have been reflected in our financial statements included in our Form 10-K for the year ended December 31, 2004, are: (i) an immaterial adjustment to opening retained earnings for each period in our historical financial statements included in the Original 2003 Form 10-K, and (ii) a reclassification of certain types of revenue (consisting primarily of fees charged to lessees for handling, repositioning and repairs), which had previously been reported as a reduction to lease operating expenses and will now be reported separately as other revenue on the face of the income statement. These changes are more fully discussed in Note 1 to the Consolidated Financial Statements included as part of this Amendment No. 1.

Because of these changes to our financial statements, we are amending the Original 2003 Form 10-K to:

Revise Item 6, "Selected Financial Data." The revisions appear under "Income Statement Data" in the line item "Equipment leasing revenue" and under "Balance Sheet Data" in the line items "Leasing equipment, net," "Total assets" and "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 a third paragraph to the section entitled "Restatement of Prior Consolidated Financial Statements;"

revised lease operating expense and administrative expense percentages within the eighth from last paragraph of the section entitled "General;"

revised the return on average shareholders' equity for 2003 within the fifth from the last paragraph of the section entitled "General;"

revised the discussions regarding "Equipment leasing revenue," "Other Revenue" and "Lease Operating and Administrative Expenses" as a result of the change in classification of certain types of revenue which had previously been reported as a reduction to lease operating expenses and will now be reported as other revenue.

revised the amount of retained earnings available for dividends within the section entitled "Debt and Capital Lease Obligations-- Covenants;" and

revised the unremitted earnings and the deferred U.S. Federal Income Taxes related to the unremitted earnings within the last paragraph of the section entitled "United States Federal Income Tax-- Interpool Limited."

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

the Company's Consolidated Balance Sheets in the line items "Leasing equipment, net of accumulated depreciation and amortization," "Total assets," "Income taxes, Current," "Total taxes," "Total liabilities," "Retained earnings," "Total stockholders' equity" and "Total liabilities and stockholders' equity;"

the Company's Consolidated Statements of Income in the line items "Equipment leasing revenue, including income recognized on direct financing leases," "Other revenue," "Total revenues", "Lease operating expenses" and total costs and expenses;

the Company's Consolidated Statements of Changes in Stockholders' Equity in the line items "Balance, December 31, 2000, as previously reported," "Adjustment (Note 1)," "Balance, December 31, 2000, as adjusted," "Balance, December 31, 2001," "Balance, December 31, 2002" and "Balance, December 31, 2003;"

the Company's Notes to Consolidated Financial Statements:

Note 1 - adding new subsections entitled "Reclassifications" and "Adjustments to Opening Retained Earnings";

Note 2 - revising the fourth paragraph;

Note 4 - revising the subsection "Covenants;"

Note 14 - revising years 2003, 2002 and 2001 in the table entitled "Segment Information" and 2003 and 2002 in the table entitled "Geographic Information;" and

Note 19 - revising years 2003 and 2002 in order to disclose "Equipment Leasing Revenue" by quarter.

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 amended, with these revisions incorporated.

As part of this Amendment No. 1 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).

INTERPOOL, INC.

FORM 10-K/A

TABLE OF CONTENTS

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 and the notes thereto.

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

	YEAR ENDED DECEMBER 31, (1			
	2003	2002 (2)(4)	2001	20
INCOME STATEMENT DATA:				
Equipment leasing revenue	$374,287	$325,080	$338,718	$28
Income before cumulative effect of change in accounting principle	$41,190	$4,389	$28,104	$4
Income per share before change in accounting principle:				
Basic	$1.51	$0.16	$1.03	
Diluted	$1.42	$0.15	$0.97	
Weighted average shares outstanding:				
Basic	27,365	27,360	27,417	2
Diluted	30,396	29,202	28,973	2
Cash dividends declared per common share:	$0.25	$0.2275	$0.1925	

	2003	2002	2001	2
BALANCE SHEET DATA:				
Cash and cash equivalents	$141,019	$170,613	$103,760	$15
Net investment in direct financing leases	$426,815	$334,129	$275,372	$21
Leasing equipment, net	$1,636,716	$1,557,639	$1,335,610	$1,23
Total assets	$2,373,036	$2,241,944	$1,923,052	$2,20
Debt and capital lease obligations	$1,640,687	$1,597,211	$1,354,680	$1,63
Stockholders' equity	$383,640	$336,996	$352,072	$34

(1) As a result of adopting Statement of Financial Accounting Standards No. 145 ("SFAS 145") extraordinary gains related to the retirement of debt for all years presented 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, $840 and $740 for years ended December 31, 2001, 2000 and 1999, respectively.

(2) Effective June 27, 2002, our financial statements include CAI as a consolidated subsidiary. (See Note 12 to the Consolidated Financial Statements.)

(3) 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.

(4) Certain reclassifications have been made to the 2002 amounts in order to conform to the 2003 presentation.

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. *(Unless otherwise indicated, 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 exclude the information of our 50%-owned consolidated subsidiary CAI. 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 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.

Restatement of Prior Consolidated Financial Statements

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 to the Consolidated Financial Statements.

Subsequent to the initial filing of our Form 10-K for the year ended December 31, 2003 and as previously reported in our Form 10-K for December 31, 2004, 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 purposes of the financial statements contained in our amended Form 10-K for the year ended December 31, 2003. For further information regarding this adjustment, see Note 1 to the Consolidated Financial Statements. All financial information for 2003 and prior periods included in our amended Report on Form 10-K for the year ended December 31, 2003 gives effect to the adjustment.

Reclassifications

Subsequent to the initial filing of our Form 10-K for the year ended December 31, 2003, certain reclassifications have been made to the 2003, 2002 and 2001 amounts. More specifically, the Company determined it was necessary to reclassify certain types of revenue which had been previously reported as a reduction to lease operating expenses. This revenue consists primarily of fees charged to lessees for handling, repositioning and repairs which had previously reduced the related costs for these services. This revenue will be reported separately as other revenue on the face of the Company's Consolidated Statements of Income. These reclassifications have no impact on net income.

General

Interpool is one of the world s leading suppliers of equipment and services to the 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 revenues are rental income derived from operating leases and income earned on direct financing leases. We generate revenues 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 revenue is supplemented by other sources of revenue such as fee income earned under equipment management agreements. 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 revenue. The principal component of the direct finance lease payment is reflected as a reduction to the net investment in the direct finance lease.

Our mix of operating and direct finance 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 finance lease, primarily due to the return of principal inherent in a direct finance 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 finance lease. In evaluating the revenue performance of our operating lease portfolio, the primary factors considered are utilization and daily rental rates.

During 2003, our revenues increased due to strong demand for equipment, resulting in a favorable increase in utilization rates for our containers and chassis as compared to the prior year. Our increased fleet size for containers and chassis as compared to the prior year also contributed favorably to revenue. We have continued to experience revenue increases and high utilization of equipment, both in our chassis and container business segments, during the first half of 2004. Utilization of our container fleet was at 99% at both December 31, 2003 and June 30, 2004, and chassis utilization was at 96% at December 31, 2003 and 97% at June 30, 2004.

Although daily rental rates for our operating lease container fleet remained relatively flat during 2003, container daily lease rates have been rising during the first half of 2004 due to the increased demand for equipment as well as the impact of recent steel shortages. The steel shortage in the first half of 2004 has driven the cost of new containers 40% higher than in 2003, with corresponding increases in daily lease rates for newly manufactured containers. In some cases the steel shortages have become so acute that production was slowed. The backlogged demand and higher manufacturing costs have propelled leasing of used containers.

Chassis lease rates have been driven more by the cost of new chassis than by recent increases in demand. There are both positive and negative factors influencing production costs. A recent shift in the manufacturing base, toward more production in China -- which has lower labor and overhead costs (but higher delivery costs) -- has lowered chassis prices. At the same time, the steel shortage has created upward pressure on chassis prices. Overall, production costs have decreased slightly, with a similar decrease in new equipment lease rates. Used chassis lease rates have been heavily competitive during 2003 and early 2004, but as inventories around the country have become depleted, we are now beginning to see upward pressure on chassis lease rates.

We anticipate that our customers demand for chassis and containers will continue to be strong well into 2005. This projection is supported by the fact that all major shipyards are reporting full order books through the end of 2006. Even after an allowance of 1% for scrapping, the world container ship fleet is expected to increase by 10.8% in 2004, 11.3% in 2005 and 11.6% in 2006 as reported in the May 2004 edition of *Containerisation International*. In April 2004 alone, 48 new container ships were ordered with a capacity of 218,000 TEU. As of May 1, 2004, the total order book exceeded 800 ships with a total capacity of 3.2 million TEU, or approximately 47% of the current world fleet.

We believe a number of factors have contributed to the strong demand for equipment we have seen since early 2003. From 2001 to 2002, according to the *Container International Yearbook 2004*, global containerized traffic increased by over 9%, from 243.8 million TEU in 2001 to 266.3 million TEU in 2002, fueling demand for transportation equipment generally. In addition, as mentioned above, several major shipping lines have announced plans to bring new very large

8,000-9,000 TEU ships to the West Coast of the United States of America in the fall of 2004. When ships of this size are unloaded, they require the use of a large number of chassis to move the containers to local railroad terminals or their final destinations. These chassis, once loaded, may not be able to return to the port before the next ship rotation arrives, thus requiring additional concentrations of chassis at major ports. These larger vessels will also require additional containers to support them. During 2004, we have been supplying chassis and containers to several shipping lines in preparation for the arrival of these ships. 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, 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 sharing of chassis (chassis pooling) among shipping lines. Our PoolStat chassis management service has experienced an increased interest in chassis sharing among shipping lines, as well as use of our own Trac Lease chassis pools at railroads and marine terminals. As of June 30, 2004, our chassis pools operating at railroad terminals were at record utilization levels.

Although our chassis and container fleet (including units on hire as direct financing leases) increased in size by 2% and 9%, respectively, from 2002 to 2003, we were not able to take full advantage of the strong customer demand for containers and chassis during 2003 and the first half of 2004, because the restatement of our financial statements for the years ended December 31, 2000 and 2001 and the first three quarters of 2002 and the related investigations by our audit committee and the SEC, and the resulting delays in completion of our financial statements and SEC filings, adversely affected our ability to obtain the financing necessary for us to purchase equipment for lease to customers. We requested and received necessary waivers from our financial institutions with respect to our financial restatement and the delays in completing our financial statements. Since January 9, 2004, the date of our filing with the SEC of our Annual Report on Form 10-K for the year ended December 31, 2002, we have successfully completed over $111.2 million of new financings, the proceeds of which have been used primarily to acquire new equipment and to satisfy payment obligations to manufacturers for equipment delivered and placed into service in our fleet during 2003. However, the reduced availability of financing, combined with the requirement to maintain certain levels of unrestricted cash until the delayed financial filings are completed, have continued to limit the amount of new business we have written with our customers during the first half of 2004. In addition, our cost of financing during 2004 has been higher than we experienced in 2002 and early 2003, due to higher interest rates in general and increased borrowing costs resulting from the lowering of our credit ratings over the past year. For the year ended December 31, 2003, the average interest rate on our outstanding debt (including the outstanding debt of CAI) was 6.0%, lower than the 6.6% for 2002. This decrease is primarily the result of reduced interest rates, as well as a decrease in interest costs related to swaps on our revolving credit facility which matured in October 2002. We are currently in negotiations with a number of potential lenders with regard to additional financings to support business growth and to refinance certain existing debt facilities, and expect that several of these will be completed during the second half of 2004.

As of December 31, 2003, we had a total of $1,864.6 million in contractual obligations and commercial commitments outstanding, primarily for amounts due to equipment manufacturers, debt and capital lease obligations, operating lease obligations, and purchases of leasing equipment. Our obligations to the equipment manufacturers included in accounts payable and accrued expenses were paid in full during the first half of 2004, and we are current with regard to all other payment obligations. Based on our existing cash balances, current negotiations with a number of prospective lenders, 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, our primary expenses are lease operating and administrative expenses, which include operating costs such as maintenance and repair expense, as well as other ownership costs such as storage and positioning expense. Our lessees are generally responsible for lease operating expenses during the term of their lease. Our administrative expenses are primarily employee related costs such as salary expense, costs of employee benefits and travel and entertainment costs, as well as expenses incurred for outside services such as legal, consulting and audit related fees. During 2003, lease operating expenses as a percentage of revenues were 27.8%, up slightly from 27.2% during 2002. Administrative expenses as a percentage of total revenues increased from 8.1% during 2002 to 12.4%

during 2003, primarily due to $20.2 million in costs associated with our financial restatement and the related investigations as described previously. Without those costs, administrative expenses as a percentage of revenues would have declined to 7.3% during 2003. However, 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, will add incremental administrative expenses in future periods. In addition to lease operating and administrative expenses, we also incur depreciation expense on our operating lease equipment as described in more detail in Note 1 to the Consolidated Financial Statements.

As described above, our lease operating and administrative expenses were negatively impacted during 2003 as a result of costs associated with our financial restatement. During 2003 and continuing for the first seven months of 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 in the second half of 2004 relating to the formal investigation by the SEC, additional legal representation for the Company and our officers, directors and employees, and possibly for bank fees should additional waivers be required.

Non-performing receivables totaled $12.8 million at the end of 2003 compared with $11.1 million at the end of 2002. Reserves of $11.9 million and $9.5 million, respectively, have been established against these non-performing receivables. During 2003, receivable write-offs net of recoveries totaled $1.9 million as compared with $2.4 million for 2002.

Our net income per share for 2003 was $1.42 on a fully diluted basis. This compared favorably with $0.15 per share during 2002 and $0.97 per share during 2001. Return on average shareholders equity was 11.4% during 2003 compared with 1.3% during 2002 and 8.1% during 2001.

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. 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 98% 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 conducted through our subsidiary, Interpool Limited, a Barbados corporation. 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 July 2004 Protocol to this Treaty, see Critical Accounting Polices and Estimates section within Item 7.

Since June 27, 2002, our Consolidated Financial Statements include our 50% owned subsidiary, CAI, which concentrates on short term container leasing, as a consolidated subsidiary of Interpool. Previously, CAI was accounted for under the equity method of accounting. Transactions between the Company and CAI have been eliminated in consolidation.

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

Results of Operations

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%. The increase was partially 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 and chassis operating lease revenues increased $22.6 million and finance lease revenues increased $10.1 million, partially offset by reduced operating lease revenues of $0.6 million contributed by Microtech (which is currently being liquidated) as compared to the prior year period. The incremental container and chassis operating lease revenues are primarily due to our container and chassis operating lease fleets which increased in size by 11% and 5%, respectively, and an increase in the utilization rates for our containers and chassis, as compared to the prior year period. The daily rental rates for containers and chassis 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. Under this method, utilization rates of our container fleet and our domestic intermodal chassis operating fleet at December 31, 2003 were 99% and 96%, respectively, as compared to 98% and 93%, respectively, at December 31, 2002. The utilization rates of our container fleet, considering CAI s actual utilization rates for our containers managed by CAI, were 94% and 92% at December 31, 2003 and 2002, respectively.

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%. The increase was primarily attributable to an increase in positioning revenue of $6.1 million (which was primarily attributable to an increase in billable services for positioning of equipment provided to the United States military) and an increase in billable repairs to our lessees at the termination of a lease of $1.6 million.

Lease Operating and Administrative Expenses. Our lease operating and administrative expenses increased to $161.4 million for the year ended December 31, 2003 from $121.7 million in the year ended December 31, 2002, an increase of $39.7 million or 33%.

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 salary expense of $5.9 million due to recording of substantially all 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. 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.

We will continue to incur additional costs in 2004 related to the formal investigation of our activities by the SEC, our proceedings before the New York Stock Exchange, additional legal representation for the Company and our officers, directors and employees and for certain bank fees in order to obtain additional waiver extensions related to our delayed filings. The costs incurred during 2003 and the estimated costs incurred in the first quarter of 2004 are as follows:

(Dollars in millions):	Three Months Ended March 31, 2004	Year Ended December 31, 2003
Audit fees for the reaudits and restatements	$0.5	$3.6
Cost of investigations	0.1	5.9
Legal and consulting fees	1.6	3.2
Separation agreements	--	5.9
Bank waiver fees	2.1	1.6
Amounts before tax	$4.3	$20.2
Amounts net of tax	$3.0	$12.9

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 finance 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 $0.8 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 $6.3 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 $91.6 million for the year ended December 31, 2003, from $93.5 million for the year ended December 31, 2002, a decrease of $1.9 million or 2%.

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.

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 Income/(Expense), Net. The change in minority interest income/(expense), net of $0.1 million for the year ended December 31, 2003 as compared to the prior year period 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 $3.3 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 $41.5 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 $41.2 million in the year ended December 31, 2003 from $4.4 million in the year ended December 31, 2002.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Equipment Leasing Revenue. Our revenues decreased to $325.1 million for the year ended December 31, 2002, from $338.7 million in the year ended December 31, 2001, a decrease of $13.6 million or 4%. The decrease was primarily attributable to our December 31, 2001 sale of PCR that resulted in reduced leasing revenues of $31.0 million, partially offset by $20.0 million of incremental leasing revenues as a result of consolidating CAI. In addition, operating lease revenues decreased $12.4 million, partially offset by increased finance lease revenues of $9.7 million. Although our container and chassis fleets increased in size by 14% and 7%, respectively as compared to the year ended December 31, 2001, the operating lease revenue declined due to reductions in the daily rental rates of 15% for containers and 9% for chassis. The decrease in container rates resulted from the termination of leases with higher rates that were written when the cost of equipment was higher than it is currently. These leases were replaced by leases with lower rates reflecting the current cost of equipment. Our chassis rates declined as a result of the acquisition, in December 2001, of 20,700 used chassis on hire at per diem rates lower than our existing fleet. In addition, a change to California law, which made the lessee of the equipment responsible for the payment of licensing costs, lowered the rates since these costs were previously recovered through per diem rates. 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. Under this method, utilization rates of our container fleet and our domestic intermodal chassis operating fleet at December 31, 2002 were 98% and 93%, respectively, as compared to 96% and 93%, respectively, at December 31, 2001. The utilization rates of our container fleet, considering CAI s actual utilization rates for our containers managed by CAI, were 92% and 89% at December 31, 2002 and 2001, respectively.

Other Revenue. Our other revenues increased to $19.9 million for the year ended December 31, 2002, from $14.7 million in the year ended December 31, 2001, an increase of $5.2 million or 35%. The increase was primarily attributable to $3.2 million of incremental other revenue as a result of consolidating CAI and an increase in billable repairs to our lessees at the termination of a lease of $2.5 million partially offset by a reduction in billable services for positioning of equipment of $0.5 million.

Lease Operating and Administrative Expenses. Our lease operating and administrative expenses decreased to $121.7 million for the year ended December 31, 2002 from $143.6 million in the year ended December 31, 2001, a decrease of $21.9 million or 15%.

The decrease was primarily due to:

A reduction of $27.8 million resulting from the sale of PCR as of December 31, 2001.

A reduction in California licensing costs of $5.9 million due to a change in California law, which made the user of the equipment, not the lessor, responsible for the payment of the licensing fees. This reduction in expense has brought about a reduction in operating lease revenues since these licensing costs were previously recovered through increased rental rates.

A reduction in positioning and handling expense of $4.3 million primarily due to the recovery of equipment from a customer in default for which the majority of the recovery effort took place in 2001.

A reduction in insurance expense of $1.9 million primarily due to the termination for a portion of 2002 of insurance to cover losses from lessee insolvencies, bankruptcies and defaults.

A reduction in equipment rental expense of $1.9 million for equipment leased from The Ivy Group, an entity which is controlled by certain current and former officers and directors, for the period prior to July 1, 2001.

A reduction in California use taxes of $1.2 million related to the TA assets acquired in October 2000.

A decrease in salaries of $1.1 million primarily resulting from reduced headcount following the completion of the integration of the assets acquired from TA and the consolidation of the operations.

An increase of $14.1 million resulting from the consolidation of the activities of CAI.

An increase in maintenance and repair costs of $6.7 million primarily due to the refurbishment of chassis for use within the chassis product line.

An increase in storage costs of $3.4 million primarily due to the recovery of equipment from a customer in default and the increased size of our fleet.

Provision for Doubtful Accounts. Our provision for doubtful accounts decreased to $7.8 million for the year ended December 31, 2002 from $9.0 million for the year ended December 31, 2001. The decrease was primarily attributable to $3.1 million of provisions in 2001 related to amounts billed to a lease customer that went into default which were no longer probable of collection from the lessee, partially offset by increased reserves for a specific customer which became part of our non-performing receivables during 2002. During 2002, we experienced an increase in our non-performing receivables of $5.1 million ($11.1 million at December 31, 2002 and $6.0 million at December 31, 2001). As of December 31, 2002 and 2001, our non-performing receivables, net of applicable reserves, were 2.54% and 5.96%, respectively, of accounts receivable, net. Our provision for doubtful accounts is provided based upon a quarterly review of the collectibility of our 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 finance lease receivables. (See Note 3 to the Consolidated Financial Statements.)

Fair Value Adjustment for Derivative Instruments. Our non-cash market value adjustment for derivative instruments expense decreased to $5.5 million for the year ended December 31, 2002 from $8.2 million in the year ended December 31, 2001, a decrease of $2.7 million. This decrease is comprised of the following items:

The change in the fair value of interest rate swaps accounted for as free standing derivatives (including the amortization of amounts included in accumulated other comprehensive income upon the adoption of SFAS No. 133 on January 1, 2001) was a loss of $5.6 million in 2002 as compared to a loss of $8.1 million in 2001; and

The amount of ineffectiveness recognized for interest rate swaps that are accounted for as cash flow hedges of variable rate debt was income of $.1 million in 2002 as compared to a loss of $.1 million in 2001.

Depreciation and Amortization of Leasing Equipment. Our depreciation and amortization expenses increased to $93.5 million for the year ended December 31, 2002, from $79.7 million for the year ended December 31, 2001, an increase of $13.8 million or 17%.

The increase was primarily due to additions to our fleet as well as:

An increase in depreciation expense of $8.7 million resulting from the consolidation of the activities of CAI.

Depreciation savings of $7.0 million and $.5 million due to the changes to our depreciation policy for chassis and containers, respectively. (See Note 1 to the Consolidated Financial Statements for further information regarding the depreciation policy changes for chassis and containers).

A decrease in depreciation expense of $6.0 million resulting from the sale of PCR as of December 31, 2001.

An impairment write-down of $2.2 million based on an evaluation on the carrying value of our long-lived assets.

An impairment write-down of $1.9 million for defective units supplied by a specific manufacturer for which the expenses are not recoverable due to the bankruptcy of the manufacturer.

A write-off of $7.5 million which represents the book value of the unrecovered equipment from a lease customer in default.

Reduced depreciation expense of $1.3 million as a result of our sale of rail trailers and domestic containers to Transport Intermodal Pool.

Losses for Investments Accounted for Under the Equity Method. The increase in losses for investments accounted for under the equity method of $5.8 million during the year ended December 31, 2002 as compared to the prior year period resulted primarily from increased 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, as compared to equity losses of CAI of $.2 million for the year ended December 31, 2001. The increase in losses was primarily the result of CAI recording an impairment loss of $3.5 million related to equipment held for sale that was impaired, as well as a change in the container depreciation policy which resulted in an increase in CAI s depreciation of $1.3 million. These two items increased losses we recorded by $1.6 million, net of CAI s tax benefit. The remaining increase in losses resulted from reduced operating performance of the CAI fleet. In addition, for the year ended December 31, 2002, we recorded $2.6 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 $0.6 million for the year ended December 31, 2001.

Other (Income)/Expense, Net. We had other (income)/expense, net of $1.1 million during the year ended December 31, 2002 compared to $(9.8) million in 2001. The increase of $10.9 million from the year ended December 31, 2001 was due to:

The establishment of a reserve 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).

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

The sale of our Chicago property, which had been acquired as part of the acquisition of TA and resulted in a gain of $4.8 million recorded in the second quarter of 2002.

Additional losses of $3.0 million primarily resulting from the sale of leasing equipment recovered from a customer in default.

A $1.6 million increase for income recorded in 2002 ($10.6 million) over 2001 ($9.0 million) for costs incurred and losses realized on a defaulted lease that we expect to recover through our insurance policy.

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

Gain of $1.8 million on the sale of rail trailers and domestic containers previously owned by us to Transport Intermodal Pool during the three months ended March 31, 2001.

Fee income of $.5 million as a result of our acting as an agent and arranging a lease transaction between two parties.

Interest Expense. Our interest expense increased to $108.3 million in the year ended December 31, 2002 from $98.3 million in the year ended December 30, 2001, an increase of $10.0 million or 10%. The increase in interest expense was primarily attributable to $2.3 million of incremental interest expense as a result of consolidating CAI, deferred financing fees of $4.8 million which were written off when we refinanced certain of our debt instruments, and increased borrowings to fund capital expenditures, resulting in incremental interest expense of $10.3 million. These increases to interest expense were partially offset by reduced interest rates resulting in reduced interest expense of $7.3 million.

Interest Income. Our interest income decreased to $4.6 million in the year ended December 31, 2002 from $9.4 million in the year ended December 31, 2001, a decrease of $4.8 million or 51%. The decrease in interest income was primarily due to reduced earnings on invested cash balances due to lower interest rates.

Minority Interest (Income)/Expense, Net. The change in minority interest (income)/expense, net of $2.3 million for the year ended December 31, 2002 as compared to the prior year period resulted primarily from:

An increase in minority interest expense for dividends and distributions paid by Chassis Holdings I LLC ("Chassis Holdings") of $3.2 million for the year ended December 31, 2002 as compared to $1.7 million in 2001. This increase for 2002 reflects a full year of operation for Chassis Holdings, a consolidated subsidiary which was formed on July 1, 2001.

A reduction in minority interest income of $2.1 million resulting from losses sustained by Microtech and PCR for the year ended December 31, 2001. During 2001, we acquired the remaining 24.5% ownership stake in Microtech, thereby increasing our ownership in Microtech to 100%. In addition, on December 31, 2001, we completed the contractual sale of its 51% ownership stake of PCR. As a result, neither PCR nor Microtech are included in minority interest (income)/expense, net for 2002.

An increase in minority interest income of $1.3 million as a result of the consolidation of CAI effective June 27, 2002.

(Benefit)/Provision for Income Taxes. We recorded an income tax benefit of $1.4 million for the year ended December 31, 2002 as compared to a tax provision of $5.4 million for the year ended December 31, 2001. This reduction in the provision for income taxes was caused by lower pre-tax income before cumulative effect of change in accounting principle of $30.5 million. The international container division that is taxed at lower rates based upon the income tax convention between the United States and Barbados, contributed favorably to pre tax income. Losses contributed by the domestic intermodal division, which are taxed at higher United States tax rates, provided a tax benefit. These losses include certain expenses related to the liquidation of PCR for which no tax benefit will be realized. The 35% statutory tax rate applied to these losses would have given rise to additional tax benefits of $1.2 million. Additionally, other provisions for deferred tax asset valuation allowances decreased tax benefits by $6.3 million.

Net Income. As a result of the factors described above, our net income decreased to $4.4 million in the year ended December 31, 2002 from $28.1 million in the year ended December 31, 2001.

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.

We have usually funded a significant portion of the purchase price for new containers and chassis through borrowings under our revolving credit facility and other lines of credit, or through secured financings with financial institutions. While we successfully completed several financings during 2003 and the first seven months of 2004, including financings of approximately $44.5 million during December 2003 and $111.2 million during March, May and July 2004, our ability to borrow funds on terms as favorable as those available previously has been limited since March 31, 2003 because of the restatement to our historical financial statements and the related Audit Committee and SEC investigations, the delay in completing our audited 2002 financial statements and filing our Annual Report on Form 10-K for 2002 with the SEC, and the delay in completing our quarterly and annual financial statements for 2003 and filing our Quarterly and Annual Reports on Forms 10-Q and 10-K for 2003. These factors, coupled with the requirement to maintain certain levels of unrestricted cash until the delayed financial filings are completed, have affected the amount of business we have written with our customers. However, we are currently evaluating a number of secured financing proposals for growth and for refinancing existing facilities.

In addition, although we have in the past paid our equipment manufacturers, most of which are located in China, for our acquisitions of containers and chassis within normal trade terms (generally 60-90 days), we were generally not able to make payments on this schedule during the latter part of 2003 because of the limited availability of new financings. As a result, we negotiated extensions of these trade terms and obtained the approval of our manufacturers to defer our payment obligations to them. As of December 31, 2003, the total amount we owed to these manufacturers for equipment already delivered (most of which had been placed into service in our fleet) or committed to purchase was approximately $120.5 million. Of this amount, $54.6 million of such trade debt was represented by promissory notes we issued to these manufacturers during 2003. As of December 31, 2003, these obligations are included in accounts payable and accrued expenses in the accompanying Consolidated Balance Sheets. All past due obligations to the manufacturers, including the promissory notes, were paid in March and April 2004.

Because 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 and our financial statements and SEC filings for 2004, we requested and received necessary waivers under our debt agreements. 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 our financial statements and required periodic reports contained in our loan documents and debt instruments until the respective dates set forth in the revised schedule. The revised dates provided to, and agreed by, our lenders are:

Statement	Revised Completion Date
2003 - 10-K	On or before August 31, 2004
2004 - First Quarter 10-Q	On or before December 31, 2004
2004 - Second Quarter 10-Q	On or before December 31, 2004
2004 - Third Quarter 10-Q	On or before December 31, 2004

While we requested that our lenders and financial institutions waive compliance with the applicable reporting requirements until the respective dates shown in the table, we intend to complete and file our SEC reports earlier than these deadlines. We have received waivers from all of our lenders agreeing to the dates above.

As described below, in connection with the receipt of certain 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. Several of the waivers we received from our financial institutions during 2003 and 2004 provide by their terms that the waiver is void if certain events occur, such as a declaration of default by one or more of our other lenders, or the commencement of civil or criminal proceedings against us or any adverse action by the SEC or the New York Stock Exchange, if such action has a material adverse effect upon our ability to perform our contractual obligations. Although we do not believe that any of these actions has occurred to date, there can be no assurance that they will not occur in the future. In the event any of our existing waivers ceased to be effective by its terms, we could be deemed to be in violation of the terms of the indebtedness to which the waiver relates. In this event, one or more of our lenders could exercise their right to declare us in default, accelerate the indebtedness owed to such lender and take other actions against us, such as attempting to exercise rights as a secured creditor with respect to any collateral. If any of these circumstances were to occur, we might not be able to meet our obligations to our lenders and other creditors and might not be able to prevent such parties from taking actions that could jeopardize our ability to continue to operate our business.

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 have agreed to defer their receipt of any dividend payments, including those we may declare in the future, until we are in compliance with all SEC filing requirements. As of July 15, 2004, recorded dividend payments in the amount of $2.6 million have been deferred.

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. Although our financial restatement in 2003 prevented us from considering any such transactions, during 2004 we have had discussions with several parties (including certain holders of our existing debt securities) that have expressed interest in making or arranging investments in 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. 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 $145.0 million in 2003, $120.1 million in 2002 and $410.8 million in 2001. 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. The decrease in net cash provided by operating activities in 2002 as compared to 2001 was primarily due to the cash flows generated during 2001 as a result of the sale of the assets classified as held for sale as of December 31, 2000 without a similar sale during the year ended December 31, 2002 and the decrease in net income.

Net cash used for investing activities amounted to $207.7 million in 2003, $176.4 million in 2002 and $247.7 million in 2001. In each year, investing activities consisted primarily of capital expenditures for leasing equipment, partially offset by cash collections on direct financing leases. 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 ($5.8 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 ($18.1 million). The decrease in net cash used in these activities in 2002 as compared to 2001 was primarily due to a decrease in the acquisition of leasing equipment ($9.5 million) and a decrease in the investment in direct financing leases ($62.7 million).

Net cash provided by (used for) financing activities amounted to $33.0 million in 2003, $123.1 million in 2002 and ($216.5) million in 2001. In each year, financing activities consisted of proceeds from the issuance of debt and borrowings under revolving credit facilities, offset by payments made by the Company under its debt obligations. The decrease in net cash provided by these activities in 2003 as compared to 2002 was primarily due to a decrease in proceeds from the issuance of debt and borrowings under revolving credit facilities ($974.6 million) partially offset by a decrease in repayment of the Company s debt obligations ($884.8 million). The change in net cash provided by financing activities in 2002 as compared to 2001 was primarily due to an increase in proceeds from the issuance of debt and borrowings under revolving credit facilities ($889.1 million) partially offset by an increase in repayment of the Company s debt obligations ($549.4 million).

The following table sets forth certain historical cash flow information for the three years ended December 31, 2003.

	Year Ended December		
	2003	**2002**	
	(Dollars in millions		
Net cash provided by operating activities	$145.0	$120.1	$
Proceeds from disposition of leasing equipment	16.8	12.0	
Acquisition of leasing equipment	(197.7)	(191.9)	(
Investment in direct financing leases	(109.3)	(64.1)	(
Net collections on direct finance leases	77.8	59.7	
Net (payments) proceeds of issuance of long-term debt and capital lease obligations in excess of payment of long-term debt and capital lease obligations	7.6	203.8	

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 9 to the Consolidated Financial Statements.) We are also obligated under various commercial commitments, including obligations to our equipment manufacturers. In the past, our equipment manufacturer obligations have been in the form of conventional accounts payable and have been satisfied within normal trade terms which were satisfied from cash flow from operations and long-term financing. As described above, during the latter part of 2003, we were not able to pay our manufacturers and had a total of $120.5 million payable to them as of December 31, 2003, $54.6 million of which had been converted into promissory notes. As of December 31, 2003, these obligations are included in accounts payable and accrued expenses in the accompanying Consolidated Balance Sheets. All past due obligations, including the promissory notes, to the manufacturers were paid in March and April 2004.

The following tables summarize our contractual obligations and commercial commitments at December 31, 2003.

		Amounts Due by Period (Dollars in millions)		
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 y**
Long Term Debt	$910.8	$154.2	$422.4	$265
Capital Lease Obligations	729.9	65.0	132.0	117
Operating Leases	77.3	20.2	33.9	16
Unconditional Purchase Obligations	105.3	42.3	42.0	21
Employment Agreements	8.8	2.0	2.1	2
Separation Agreements	4.2	1.6	2.2	0
Obligations Related to PCR Liquidation	5.5	5.5	--	

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Total Contractual Cash Obligations	$1,841.8	$290.8	$634.6	$424
	========	======	======	====

Other Commercial Commitments	Total Amounts Committed	Amount of Commitment Expiration Per		
		Less than 1 year	1-3 years	4-5 years
Standby Letters of Credit	$6.0	$ --	$6.0	$ --
Guarantees	16.8	--	--	8.0
	----	--	--	---
Total Commercial Commitments	$22.8	$ --	$6.0	$8.0
	=====	==	====	====

Debt and Capital Lease Obligations:

The following table summarizes our debt and capital lease obligations as of December 31, 2003 and 2002:

	(Dollars in Millions) December 31, 2003	December 31,
Capital lease obligations payable in varying amounts through 2018	$325.2	$363.7
Chassis Securitization Facility, interest at 5.59% and 5.08% at December 31, 2003 and 2002, respectively		
Warehouse facility	25.5	---
Debt obligation	86.4	120.2
Capital lease obligation	404.7	410.5
Revolving credit facility, interest rate at 3.09% and 2.64% at December 31, 2003 and 2002, respectively	193.5	175.0
Revolving credit facility CAI, interest rate at 3.37% and 3.69% at December 31, 2003 and 2002, respectively	87.0	74.0
Container securitization facility, interest at 6.5% and 5.85% at December 31, 2003 and 2002, respectively	76.6	92.0
7.35% Notes due 2007 (unsecured)	147.0	147.0
7.20% Notes due 2007 (unsecured)	62.8	62.8
9.25% Convertible redeemable subordinated debentures, mandatory redemption 2022 (unsecured)	37.2	32.1
Notes and loans payable with various rates ranging from 1.89% to 7.90% and maturities from 2004 to 2010	194.8	119.9
	-----	-----
Total Debt and Capital Lease Obligations	1,640.7	1,597.2
	-------	-------
Less Current Maturities	219.2	161.4
Total Non-Current Debt and Capital Lease Obligations	$1,421.5	$1,435.8
	========	========

Our debt consists of notes and loans and capital lease obligations with installments payable in varying amounts through 2022, with a weighted average interest rate of 6.0% in 2003. The principal amount of debt and capital lease obligations payable under fixed rate contracts is $491.3 million. Remaining debt and capital lease obligations of $1,149.4 million is payable under floating rate arrangements, of which $500.1 million has been converted to fixed rate debt through the use of interest rate swap agreements. At December 31, 2003, most of our debt and capital lease obligations are secured by a substantial portion of our leasing equipment, direct finance leases, and accounts receivable, except for $247.0 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.

Effective October 1, 2003, a customer elected to return a portion of the equipment covered by a direct financing lease which had been included in a qualified special purpose entity as part of the lease securitization program. The equipment was subsequently leased to another customer under the terms of an operating lease agreement. As such, the lease could no longer be considered a financial asset and the Securitization Trust entity could no longer be treated as an off-balance sheet qualified special purpose entity for accounting purposes. Therefore, effective October 1, 2003, we consolidated the assets and liabilities of this special purpose entity and recorded the remaining obligation of this special purpose entity amounting to $17.8 million as debt and capital lease obligations on the Consolidated Balance Sheets. At December 31, 2003, $13.3 million of this debt remains outstanding. See Note 8 to the Consolidated Financial Statements for further discussion regarding the change in accounting for this special purpose entity.

Debt Modifications**:** Throughout 2003, 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.
>
> 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 are 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, amounts to $50.0 million. Beginning with the amortization payment due September 1, 2004, the minimum cash requirement will again be reduced dollar-for-dollar as amortization payments are made. The minimum cash balance requirement will be eliminated once we are current with our delayed financial filings.
>
> 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 requires us to provide additional financial information to the lenders under the facility and to continue the engagement of a financial advisor.
>
> 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 include, 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 (which qualifies as a cash flow hedge) matures in 2009 and the swap is 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 (which qualifies as a cash flow hedge) matures in 2014 and the swap is used to manage interest rate risks on the floating rate borrowings in the chassis revolving warehouse securitization facility.

New Financings: In July 2002, we commenced a registered subscription rights offering of up to $31.5 million of our 9.25% Convertible Redeemable Subordinated Debentures. The debentures were offered to holders of our common stock pursuant to the exercise of non-transferable subscription rights and were to be convertible into shares of our common stock. We had the right in our discretion to accept offers from other parties to purchase debentures not subscribed for by stockholders. On August 14, 2002, we terminated the subscription rights offering due to a delay in filing our Form 10-Q for the quarter ended June 30, 2002. We re-commenced the offering during November 2002 and accepted subscriptions for $32.1 million of debentures, which were issued in December 2002. We also increased the size of the offering and subsequently accepted $5.1 million of additional subscriptions in January and February 2003, resulting in a total of $37.2 million of debentures being issued. The debentures bear interest at an annual rate of 9.25%. They have a mandatory redemption feature upon the earlier of the occurrence of a change of control or on December 27, 2022. They have an optional redemption feature after the third anniversary at a price of 100% of outstanding principal, plus accrued interest. They have a special redemption feature between December 27, 2006 and December 27, 2007, during which period we may redeem the debentures by issuing common stock at $25.50 per debenture plus accrued interest, if the average closing price of our common stock for five consecutive trading days equals or exceeds $25.50 per share. Lastly, at any time, the holder of the debentures may convert the debentures into our common stock at a per share conversion price of $25 per debenture.

During 2003, in addition to additional financing under our container and chassis securitizations of $51.3 million and $25.5 million, respectively, the additional borrowing of $50.0 million under our revolving credit facility and $38.0 million borrowed by CAI under its revolving credit facility, we entered into new financing arrangements totaling $135.0 million. The new debt and capital leases entered into during 2003 consisted of the following:

Total New Debt and Capital Lease Obligations	**New Borrowings 2003**
Capital lease obligations payable through 2010 with interest imputed at rates from 4.4% to 6.4%	$14.3
9.25% Convertible redeemable subordinated debentures, mandatory redemption 2022	5.1
Notes and loans repayable with various rates ranging from 3.1% to 4.0% and maturities from 2006 to 2009	115.6
Total New Debt and Capital Lease Obligations 2003	$135.0

Included in the notes and loans are borrowings of $16.0 million and $7.0 million from Yardville National Bank, a subsidiary of an entity in which Martin Tuchman owns approximately five percent of the common stock and serves on the Executive Committee of the Board of Directors. The term of the $16.0 million loan is three years with thirty four fixed monthly principal payments of $0.25 million commencing May 25, 2003 and a final principal payment of $7.5 million due on March 25, 2006. Interest is payable monthly, at an initial rate of 4.25%, and is adjusted monthly to the prime rate as published in the Wall Street Journal subject to a 4% minimum and 5% maximum per annum rate. The term of the $7.0 million loan is five years with fifty-nine fixed monthly principal payments of $.075 million commencing September 7, 2003 and a final principal payment of $2.6 million due on August 7, 2008. Interest is payable monthly, at an initial rate of 4%, and is adjusted monthly to the prime rate as published in the Wall Street Journal subject to a 4% minimum and 6% maximum per annum rate.

Covenants: Under our revolving credit facility and most of our other debt instruments, we are required to maintain covenants (as defined) for a tangible net worth of $125.0 million, a fixed charge coverage ratio of 1.5 to 1 and a funded debt to net worth ratio (as defined in the agreement, which is stockholders equity plus company-obligated mandatorily redeemable preferred securities in subsidiary grantor trusts, less goodwill) of 4.0 to 1. A financing facility entered into in March 2004 contains more stringent covenants, including a requirement that we maintain a tangible net worth of at least $300.0 million. We will seek to eliminate these more stringent covenants by refinancing this facility during the second half of 2004. At December 31, 2003, under covenants in our loan agreement approximately $94.7 million of retained earnings were available for dividends. In July 2003 and October 2003, in connection with obtaining necessary waivers 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 facility, to define several additional events as events of default, to increase the interest rate margin, and to maintain specified levels of unrestricted cash and cash equivalents until the delinquent SEC filings are made. 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. At December 31, 2003 we were in compliance with these covenants as amended.

Other: As of December 31, 2003, our commitments for future capital expenditures totaled approximately $105.3 million with approximately $42.3 million committed for 2004. Our available liquidity, including $17.0 million available under CAI s revolving credit facility, at December 31, 2003 was $65.5 million after adjusting for $25.0 million of cash held within the chassis securitization and $67.5 million required to be maintained as a result of obtaining waivers. Required debt repayments and capital lease payments for 2004 totaled $219.2 million as of December 31, 2003 which we anticipate making through our unrestricted cash balances and cash flow from operations.

In the past, cash on hand, cash flow from operations, borrowings under credit facilities and the net proceeds of the issuance of debt and equity securities has been sufficient to meet our working capital needs, capital expenditures and required debt repayments. Because the availability of financing to us was limited in 2003, due to our financial restatement and the investigations by our Audit Committee s special counsel and the SEC, and the delay in completing our audited financial statements and filing our Forms 10-K for 2002 and 2003, and because of the waiver-related requirement to maintain significant minimum cash balances, we were not able to fund all of our capital expenditure commitments, specifically our obligations to equipment manufacturers, during the second half of 2003. At year end, we had deferred payments due to our equipment manufacturers totaling $120.5 million. We subsequently paid all past due amounts to the manufacturers in March and April 2004 with proceeds from a new financing. We also expect to continue to rely in substantial part on long-term financing for the purchase of equipment or strategic acquisitions to expand our business in the future. We cannot assure that long-term financing will be available for these purposes on acceptable terms or at all. In addition, from time to time, we may explore new sources of capital both at the parent and subsidiary levels. We successfully completed secured financings of approximately $111.2 million during March, May and July 2004 and are currently evaluating a number of secured financing proposals.

Settled Insurance Litigation

In February 2001, we demanded return of all our equipment on lease to a significant customer based in South Korea. The lessee subsequently commenced insolvency proceedings and did not return our equipment. At the time of this insolvency, we maintained insurance coverage against such lessee defaults, and we submitted a claim to our insurance carriers seeking to recover the value of the receivables owed by the customer (to the extent covered by the insurance policies). Our claim included per diem rental charges for up to one hundred and eighty days after the default date for equipment not returned by the lessee as well as loss, damage and recovery costs relating to the equipment on lease that are also billable to the lessee in accordance with the lease. Our claim was in excess of the policy s maximum coverage of $35 million. On December 26, 2002, the insurance carriers filed a lawsuit seeking among other things rescission of the policies. We in turn filed an answer and counter-claim for payment of our insurance claim. (See Item 3, Legal Proceedings, above.) On June 17, 2004, in an attempt to avoid the time, expense and uncertainty inherent in continued litigation, we signed an agreement settling this lawsuit and our claim under the policies. Under the terms of the settlement agreement, the insurance carriers paid us a total of $26.4 million in cash in June and July 2004. As of December 31, 2003, the outstanding receivable recorded from the insurance carriers is $20.5 million. The difference between the receivable recorded due from the insurance carriers and the claim submitted primarily relates to per diem revenues, repairs and maintenance and other costs billable to the lessee (and covered by the insurance contract) that are in excess of costs incurred.

Other

CAI

In April 1998, we acquired a 50% common equity interest in CAI. CAI owns and leases its own fleet of containers and manages, for a fee, containers owned by third parties. We entered into an operating relationship with CAI primarily to facilitate the rental in the short-term market of containers coming off long-term lease, to gain access to new companies looking to lease containers on a long term basis and to realize cost efficiencies from the operation of a coordinated container lease marketing group. The marketing group which is organized as our wholly-owned subsidiary, is responsible for soliciting container lease business for both us and for CAI, including long-term and direct finance lease business and short-term lease business on master lease agreements. Our agreement with CAI provides that all long-term and direct finance lease business will be purchased by us, subject to offering to CAI, at cost, 10% of this long-term and direct finance lease business. By mutual agreement, CAI has purchased for its own account long-term and direct finance lease business generated by the marketing group in excess of such amount.

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

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

A total of $87.0 million was outstanding under CAI s senior revolving credit facility at December 31, 2003. Borrowings under CAI s senior credit facility are secured by substantially all of CAI s assets, other than certain excluded assets, and are payable on June 27, 2005. The senior credit facility contains various financial and other covenants. At December 31, 2003, CAI was in compliance with these covenants. The senior credit facility was amended in May 2003 to increase the letter of credit commitment by the lenders administrative agent.

In addition, CAI has entered into sale-leaseback transactions with third parties pursuant to which CAI sells maritime shipping containers to such third parties and then leases the shipping containers back from such third parties. In connection with such transactions, CAI has entered into the following lease agreements:

CAI entered into a master lease agreement dated April 30, 1998, as amended, which amends and restates a prior agreement dated July 17, 1996, pursuant to which CAI currently leases shipping containers from a banking corporation. The master lease agreement has an expiration date of July 31, 2008. CAI is required to make regular payments to lessor and, as of December 31, 2003 and 2002, CAI s total outstanding obligation under this lease agreement was approximately $13.8 million and $23.2 million respectively. CAI has the option to purchase the leased equipment on a date prior to the expiration of the initial term of the lease agreement or at the time of such expiration. In addition, upon the expiration of the initial term of the lease agreement, CAI has the right to extend the lease agreement for one year or return the leased equipment to lessor under the terms and conditions set forth in the lease agreement. This lease agreement was amended in 2002 to include certain additional negative covenants and financial covenants of CAI. The lease agreement was amended in May 2003 to provide for a rent prepayment under the lease agreement in the approximate amount of $3.75 million to the lessor.

CAI entered into a master lease agreement dated April 30, 1998, as amended, which amends and restates a prior agreement dated November 21, 1996, pursuant to which CAI currently leases shipping containers from a banking corporation. The master lease agreement has a term of ten years. CAI is required to make regular payments to lessor and, as of December 31, 2003, CAI s total outstanding obligation under this lease agreement was approximately $4.7 million. CAI has the option to purchase the leased equipment on a date prior to the expiration of the initial term of the lease agreement or at the time of such expiration. In addition, upon the expiration of the initial term of the lease agreement, CAI has the right to extend the lease agreement for one year or return the leased equipment to lessor under the terms and conditions set forth in the lease agreement. This lease agreement was amended in 2002 to include certain additional negative covenants and financial covenants of CAI.

In April 2004, we reached an agreement with CAI resolving differences in interpretation of certain provisions of the Operating and Administration Agreement (the "CAI Agreement") governing payment of appropriate remedial compensation when an age disparity develops between our containers managed by CAI and the balance of CAI s managed fleet. Pursuant to our agreement with CAI, we agreed to pay CAI $2.0 million for resolution of all disputes through February 29, 2004. The impact of this agreement, which will be recorded by us during the three months ended March 31, 2004, will be a reduction in consolidated pre-tax income of $1.0 million ($0.6 million net of tax). We and CAI are currently in discussions to simplify the terms of the portion of the CAI Agreement governing age parity adjustments.

Chassis Holdings I, LLC

For many years, The Ivy Group, a New Jersey general partnership composed directly or indirectly of certain of our current and former directors and executive officers, together with certain of its principals, leased chassis to our wholly owned subsidiary Trac Lease, Inc. ("Trac Lease") for use in Trac Lease s business. As of January 1, 2001, Trac Lease leased a total of 6,047 chassis from The Ivy Group and its principals for an aggregate annual lease payment of approximately $2.6 million. On July 1, 2001, we restructured our relationship with The Ivy Group and its principals to provide us with managerial control over the 6,047 chassis previously leased by Trac Lease from The Ivy Group and its principals. As a result of the restructuring, the partners of The Ivy Group contributed these 6,047 chassis and certain other assets and liabilities to a newly formed subsidiary, Chassis Holdings I LLC ("Chassis Holdings"), in exchange for $26.0 million face value of preferred membership units and 10% of the common membership units, and Trac Lease contributed 902 chassis and two thousand dollars in cash to Chassis Holdings in exchange for $3.0 million face value of preferred membership units and 90% of the common membership units. The preferred membership units are entitled to receive a preferred return prior to the receipt of any distributions by the holders of the common membership units. The value of the contributed chassis was determined by taking the arithmetic average of the results of independent appraisals performed by three nationally recognized appraisal firms in connection with our establishment of a chassis securitization facility in July 2000. As the managing member of Chassis Holdings, Trac Lease exercises sole managerial control over the entity s operations. Chassis Holdings leases all of its chassis to Trac Lease at a rental rate equal to the then current Trac Lease fleet average per diem. Chassis Holdings and the holders of the preferred membership units are party to a Put/Call Agreement providing that the holders of preferred units may put such units to Chassis Holdings under certain circumstances and Chassis Holdings has the right to redeem such units under certain circumstances. Chassis Holdings will be required to make certain option payments to the holders of the preferred membership units in order to preserve its right to redeem such units. Dividends paid on the common units and distributions on the preferred units totaling $2.9 million, $3.1 million and $1.7 million for the years ended December 31, 2003, 2002 and 2001, respectively, are included in minority interest (income)/expense, net in the accompanying Consolidated Statements of Income.

Chassis Distribution Agreement

In April 2003, we agreed to become a 50% owner through an initial investment of $0.5 million of a limited liability company (the "LLC") formed with a foreign chassis manufacturer. The purpose of the LLC is to be the exclusive worldwide distributor of chassis built by this manufacturer and for us to share in the profits the LLC earns in selling these chassis to third parties. Under the terms of the Distribution agreement for this equipment, we have agreed to purchase approximately 15,000 chassis at preferred pricing over a ten-year period, of which 1,100 chassis were ordered by us during 2003. We may elect to purchase additional equipment during the ten-year period at identical terms. The LLC began operations during the second quarter of 2003. We consolidate the financial statements of the LLC.

Stock Repurchases

During 1999, we authorized the repurchase of up to 1,000,000 shares of our common stock from time to time through open market purchases or privately negotiated transactions. No shares were repurchased during 2003. During 2002, we purchased 9,300 shares for an aggregate price of $0.13 million. During the fourth quarter of 2001, we purchased 58,100 shares for an aggregate purchase price of $0.9 million.

United States Federal Income Tax

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

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

Based upon the operating results for 2003, we will not be considered a personal holding company for federal income tax purposes for 2003 (and possibly in subsequent years). If, we or any of our subsidiaries were classified as a personal holding company for federal income tax purposes, in addition to our regular federal income tax liability, our undistributed personal holding company income (generally taxable income with certain adjustments, including a deduction for federal income taxes and dividends paid) would be subject to a personal holding company tax at the rate of 15%. Management anticipates that for the immediate future, our current level of dividends will be sufficient to avoid having any undistributed personal holding company income, and thus does not anticipate that any personal holding company tax will be imposed. There can be no assurance, however, that we will not at some point in the future become liable for personal holding company tax. Furthermore, we may at some point in the future elect to increase the dividend rate on our common stock in order to avoid personal holding company tax.

We have incurred certain losses from leasing activities that are characterized for tax purposes as "Suspended Passive Losses." These losses can be carried forward indefinitely to offset income from future leasing activities. As of December 31, 2003, such suspended passive losses totaled approximately $220.7 million.

Trac Lease. Trac Lease has approximately $15.6 million of net operating loss carry-forwards for federal income tax purposes, which may be used only to offset the income of Trac Lease and, if not utilized, will expire between 2005 and 2006. A valuation allowance has been recorded for the full amount of these NOLs because the utilization of these NOLs prior to their expiration is considered unlikely. The use of substantially all these loss carry-forwards is subject to a number of limitations under federal tax laws.

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

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

If Interpool Limited were treated as a foreign personal holding company for any year, we would be taxed on the amount we would have received if Interpool Limited had distributed all its income to us as a dividend. One of the conditions for treating a foreign subsidiary as a foreign personal holding company is that a minimum of 60% of the foreign subsidiary s gross income must be foreign personal holding company income. Foreign personal holding company income does not include rental income that constitutes at least 50% of the subsidiary s gross income. Because we expect that rental income will constitute at least 50% of Interpool Limited s gross income, we do not anticipate that Interpool Limited will be deemed a foreign personal holding company.

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

At December 31, 2003, unremitted earnings of this subsidiary were approximately $333.9 million. The deferred U.S. Federal Income taxes related to the unremitted earnings of this subsidiary would be approximately $109.4 million, assuming these earnings are taxable at the U.S. statutory rate, net of foreign tax credits.

United States/Barbados income tax convention. Interpool Limited s business is managed and controlled in Barbados; it also has a permanent establishment in the United States. Under the income tax convention between the United States and Barbados, including any protocols and amendments (the "Tax Convention"), any profits of Interpool Limited from leasing of containers used in international trade generally are taxable only in Barbados and not in the United States. Interpool Limited is entitled to the benefits of the Tax Convention for each year that more than 50% of the shares of Interpool Limited are owned, directly or indirectly, by United States citizens or residents and its income is not used in substantial part, directly or indirectly, to meet liabilities to persons who are not residents or citizens of the United States. We believe that Interpool Limited passes both of these tests and should continue to be eligible for the benefits of the Tax Convention, but there can be no assurance as to this continued eligibility. If Interpool Limited ceased to be eligible for the benefits of the Tax Convention, a substantial portion of its income would become subject to the 35% United States federal income tax and the 30% branch profits tax.

The Tax Convention does not afford Interpool Limited any relief from the personal holding company tax or any other tax that may be imposed on the undistributed earnings of a Barbados corporation. To the extent that Interpool Limited has United States source income that is personal holding company income or is not needed in its business, Interpool Limited could be taxed on this income unless it is distributed to Interpool as a dividend. We expect that Interpool Limited would distribute this income to Interpool.

As a company resident in Barbados, Interpool Limited is required to file tax returns in Barbados and pay any tax liability to Barbados. However, no Barbados tax returns have been prepared or filed for Interpool Limited for any period subsequent to its 1997 tax year, because such tax returns are required to be accompanied by audited financial statements for Interpool Limited, which are not available. We believe that the failure to file these returns has not resulted in any underpayment of taxes, interest or penalties (other than a nominal late filing penalty recently enacted in Barbados), because we believe that no Barbados taxes would have been due for the years for which returns have not been filed. We further believe that Interpool Limited s failure to file these returns would not present any other material risk to Interpool. Nonetheless, we intend to have the necessary Interpool Limited financial statements prepared and audited as promptly as practicable so that Interpool Limited s Barbados tax returns can be filed as required.

July 2004 Protocol to the United States and Barbados Tax Treaty

Interpool Limited currently claims treaty benefits under the United States and Barbados income tax treaty ("Treaty"). The Treaty contains a limitation on benefits provision which denies treaty benefits under certain circumstances. However, Interpool Limited currently does not fall within the Treaty s limitation on benefits provision.

On July 14, 2004, the United States and Barbados signed a protocol to the Treaty ("Protocol") that contains a more restrictive limitation on benefits provision than the current Treaty does. If ratified, the Protocol might result in Interpool Limited losing its ability to rely on the Treaty to eliminate current U.S. income tax on its container rental and container sales income. This Protocol will not take effect until it is ratified by the United States Senate and the government of Barbados. It is currently uncertain whether the Senate will take action before it adjourns later in 2004. The Protocol is generally effective for taxable years commencing on or after the first of January in the year following the year the Protocol is ratified.

Under the Protocol, Interpool Limited would only be eligible for Treaty benefits with respect to its container rental and sales income if, among other things, Interpool, Inc. is listed on a "recognized stock exchange" (generally, the NASDAQ system or an SEC registered exchange such as the New York Stock Exchange), and Interpool, Inc. s stock is "primarily" and "regularly" traded on such exchange.

As described elsewhere in this report, our common stock is currently not listed on a "recognized stock exchange" within the meaning of the Protocol. Management anticipates that Interpool, Inc. will examine all of its options with regard to listing on a "recognized stock exchange" and anticipates applying for a listing as soon as it is current with its SEC filings. However, even if Interpool Inc. is listed on a "recognized stock exchange" as of the date the Protocol comes into effect, it is not clear whether Interpool, Inc. would satisfy the "primarily" and "regularly" traded requirement as defined within the Protocol. If Interpool, Inc. does not believe that it can satisfy this requirement, it will investigate alternatives to Interpool Limited being a resident in Barbados that will still entitle Interpool Limited to treaty benefits under another tax treaty with the U.S. Any such alternative would likely result in Interpool Limited being subject to a higher non-U.S. tax than the approximate 3% tax rate it currently enjoys in Barbados.

State and Local Taxes

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

Sales tax. To date, Interpool Limited and Trac Lease generally have not paid sales taxes on their leasing revenues to the states in which they conduct business because management has believed such revenues to be exempt from state sales taxes on several grounds, including a long-standing interpretation of the Commerce Clause of the United States Constitution that would prohibit the imposition of a tax on cargo containers and chassis used primarily for transportation of goods in interstate commerce or international trade. In the early 1990 s, Itel Containers International Corp. ("Itel"), a container leasing company, challenged an attempt by the State of Tennessee to collect sales tax on Itel s proceeds from the leasing of containers delivered in Tennessee. In a ruling by the United States Supreme Court in February 1993, Itel s position was rejected and the Court upheld the right of Tennessee to impose sales tax on leasing revenues from containers delivered in Tennessee. We cannot predict the extent to which states other than Tennessee will now attempt to collect sales tax on our equipment leasing revenues based on this Supreme Court decision. Under the terms of our equipment leases, we would generally be entitled to pass any such sales tax on to our lessees.

Inflation

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

Critical Accounting Policies and Estimates

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

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

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

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

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

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

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

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

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

Income Statement at that time.

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

We currently receive tax benefits under an income tax convention between the United States and Barbados, the jurisdiction in which our subsidiary, Interpool Limited, operates our container business, is incorporated. Specifically, under that income tax convention, any profits of Interpool Limited from leasing of containers used in international trade, generally are taxable only in Barbados at an approximate 3% tax rate, and not in the United States. Interpool Limited is entitled to the benefits of the tax convention for each year that more than 50% of the shares of Interpool Limited are owned, directly or indirectly, by United States citizens or residents and its income is not used in substantial part, directly or indirectly, to meet liabilities to persons who are not residents or citizens of the United States. We believe that Interpool Limited passes both of these tests and should continue to be eligible for the benefits of the tax convention, but there can be no assurance as to this continued eligibility. Historically, no deferred U.S. Federal income taxes have been provided on the unremitted earnings of the subsidiary since it is our past practice and future intention to permanently reinvest such earnings. We have documented our ability to reinvest earnings generated annually from our international operations. This documentation contains certain management judgments and estimates of economic conditions and the future demand for containers. Any unremitted earnings that we would be unable to reinvest in our international operations could be subject to taxation at United States tax rates.

On July 14, 2004, the United States and Barbados signed a protocol to the Treaty ("Protocol") that contains a more restrictive limitation on benefits provision than the current Treaty does. If ratified, the Protocol might result in Interpool Limited losing its ability to rely on the Treaty to eliminate current U.S. income tax on its container rental and container sales income. This Protocol will not take effect until it is ratified by the United States Senate and the government of Barbados. It is currently uncertain whether the Senate will take action before it adjourns later in 2004. The Protocol is generally effective for taxable years commencing on or after the first of January in the year following the year the Protocol is ratified.

Under the Protocol, Interpool Limited would only be eligible for Treaty benefits with respect to its container rental and sales income if, among other things, Interpool, Inc. is listed on a "recognized stock exchange" (generally, the NASDAQ system or an SEC registered exchange such as the New York Stock Exchange), and Interpool, Inc. s stock is "primarily" and "regularly" traded on such exchange.

As described elsewhere in this report, our common stock is currently not listed on a "recognized stock exchange" within the meaning of the Protocol. Management anticipates that Interpool, Inc. will examine all of its options with regard to listing on a "recognized stock exchange" and anticipates applying for a listing as soon as it is current with its SEC filings. However, even if Interpool Inc. is listed on a "recognized stock exchange" as of the date the Protocol comes into effect, it is not clear whether Interpool Inc. would satisfy the "primarily" and "regularly" traded requirement as defined within the Protocol. If Interpool, Inc. does not believe that it can satisfy this requirement, it will investigate alternatives to Interpool Limited being a resident in Barbados that will still entitle Interpool Limited to treaty benefits under another tax treaty with the U.S. Any such alternative would likely result in Interpool Limited being subject to a higher non-U.S. tax than the approximate 3% tax rate it currently enjoys in Barbados.

Recent Accounting Pronouncements

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

In November 2002, the FASB issued FASB Interpretation No. 45, *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"). FIN 45 elaborates on the disclosures to be made by a guarantor in interim and annual financial statements about its obligations under certain guarantees it has issued. A guarantor is required to disclose (a) the nature of the guarantee, including the approximate term, how the guarantee arose, and the events and circumstances that would require the guarantor to perform under the guarantee; (b) the maximum potential amount of future payments under the guarantee; (c) the carrying amount of the liability, if any, for the guarantor s obligation under the guarantee; and (d) the nature and extent of any recourse provisions or available collateral that would enable the guarantor to recover the amounts paid under the guarantee. FIN 45 also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Disclosure requirements are effective for financial statements with periods ending after December 15, 2002 while the initial recognition and initial measurement provisions shall be applied on a prospective basis to guarantees issued or modified after December 31, 2002. We have adopted the provisions of FIN 45 as required. (See Note 9 to the Consolidated Financial Statements for disclosures regarding our guarantees.) The adoption of FIN 45 did not have a material impact on our Consolidated Financial Statements.

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

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

The Board of Directors
Interpool, Inc.:

We have audited the accompanying consolidated balance sheets of Interpool, Inc. (a Delaware corporation) and subsidiaries as of December 31, 2003 and 2002 and the related consolidated statements of income, changes in stockholders equity and cash flows for each of the years in the three year period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above presents fairly, in all material respects, the financial position of Interpool, Inc. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2003 in conformity with U.S. generally accepted accounting principles.

As discussed in Notes 1 and 5 to the consolidated financial statements, in 2002 the Company changed its method of accounting for (i) goodwill and (ii) the impairment or disposal of long-lived assets and in 2001 the Company changed its method of accounting for derivative instruments.

(signed) KPMG LLP

Short Hills, N.J.
August 16, 2004, except for Note 1(v) and Note 1(w) which are as of June 6, 2005

INTERPOOL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2003 AND 2002
(dollars in thousands, except share and per share amounts)

ASSETS	**2003**
CASH AND CASH EQUIVALENTS	$141,019
MARKETABLE SECURITIES, available for sale at fair value	24
ACCOUNTS RECEIVABLE, less allowance of $16,358 and $14,033, respectively	69,055
NET INVESTMENT IN DIRECT FINANCING LEASES	426,815
OTHER RECEIVABLES, net	25,485
LEASING EQUIPMENT, net of accumulated depreciation and amortization of $522,431 and $464,366, respectively	1,636,716
OTHER INVESTMENT SECURITIES, available for sale at fair value	--
OTHER ASSETS	73,922
ASSETS OF BUSINESS TRANSFERRED UNDER CONTRACTUAL AGREEMENT	--
TOTAL ASSETS	$2,373,036
LIABILITIES	
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$198,062
INCOME TAXES:	
Current	367
Deferred	37,392
TOTAL TAXES	37,759
DEFERRED INCOME	2,704
DEBT AND CAPITAL LEASE OBLIGATIONS	
Due within one year	219,192
Due after one year	1,421,495
TOTAL DEBT AND CAPITAL LEASE OBLIGATIONS	1,640,687
LIABILITIES OF BUSINESS TRANSFERRED UNDER CONTRACTUAL AGREEMENT	--
COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES IN SUBSIDIARY GRANTOR TRUSTS (holding solely Junior Subordinated Deferrable Interest Debentures of the Company) (75,000 shares 9-7/8% Capital Securities outstanding, liquidation preference $75,000)	75,000
TOTAL LIABILITIES	$1,954,212
MINORITY INTEREST IN EQUITY OF SUBSIDIARIES	35,184
STOCKHOLDERS' EQUITY	
Preferred stock, par value $.001 per share; 1,000,000 authorized, none issued	---
Common stock, par value $.001 per share; 100,000,000 shares authorized, 27,602,452 and 27,579,952 issued at December 31, 2003 and 2002, respectively	28
Additional paid-in capital	128,538
Unamortized deferred compensation	(1,184)
Treasury stock, at cost, 225,900 shares at December 31, 2003 and 2002	(2,229)
Retained earnings	272,815
Accumulated other comprehensive loss	(14,328)
TOTAL STOCKHOLDERS' EQUITY	383,640
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$2,373,036

The accompanying notes to consolidated financial statements are an integral part of these balance s

INTERPOOL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001
(dollars in thousands, except share and per share amounts)

	2003	2002
REVENUES:		
Equipment leasing revenue, including income recognized on direct financing leases of $46,362, $36,246 and $26,499, respectively	$374,287	$325,080
Other revenue	27,825	19,855
TOTAL REVENUES	402,112	344,935
COSTS AND EXPENSES:		
Lease operating expenses	111,686	93,797
Administrative expenses	49,734	27,945
Provision for doubtful accounts	4,248	7,843
Fair value adjustment for derivative instruments	(837)	5,530
Depreciation and amortization of leasing equipment	91,553	93,538
Losses for investments accounted for under the equity method	1,698	6,603
Other (income)/expense, net	(5,079)	1,131
Interest expense	106,688	108,344
Interest income	(3,960)	(4,638)
	355,731	340,093
Income before minority interest (expense)/income and provision/(benefit) for income taxes	46,381	4,842
MINORITY INTEREST (EXPENSE)/ INCOME, NET	(1,910)	(1,846)
Income before provision/(benefit) for income taxes	44,471	2,996
PROVISION/(BENEFIT) FOR INCOME TAXES	3,281	(1,393)
NET INCOME	$41,190	$4,389
INCOME PER SHARE		
NET INCOME PER SHARE:		
Basic	$1.51	$0.16
Diluted	$1.42	$0.15
WEIGHTED AVERAGE SHARES OUTSTANDING (in thousands):		
Basic	27,365	27,360
Diluted	30,396	29,202

The accompanying notes to consolidated financial statements are an integral part of these statements.

INTERPOOL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(dollars and shares in thousands)

	Common Stock		Additional Paid-in Capital	Unamortized Deferred Compensation	Treasury Stock	Retained Earnings	Acum. Other Comp. Income (Loss)	Comp (
	Shares	Par Value						
BALANCE, December 31, 2000, as previously reported	27,580	$28	$124,182	$ --	$(1,170)	$216,245	$1,234	
Adjustment (See Note 1)	--	--	--	--	--	803	--	
BALANCE, December 31, 2000,								

as adjusted	27,580	$28	$124,182	$ --	$(1,170)	$217,048	$1,234	
Net income	--	--	--	--	--	28,104	--	
Other comprehensive loss	--	--	--	--	--	--	(11,141)	
Comprehensive income								
Purchase of 58,100 shares of treasury stock	--	--	--	--	(929)	--	--	
Cash dividends declared:								
Common stock, $.1925 per share	--	--	--	--	--	(5,284)	--	
BALANCE, December 31, 2001	27,580	28	124,182	--	(2,099)	239,868	(9,907)	
Net income	--	--	--	--	--	4,389	--	
Other comprehensive loss	--	--	--	--	--	--	(15,091)	
Comprehensive loss								$ =
Purchase of 9,300 shares of treasury stock	--	--	--	--	(130)	--	--	
Capital contribution by officers and directors	--	--	1,983	--	--	--	--	
Cash dividends declared:								
Common stock, $.2275 per share	--	--	--	--	--	(6,227)	--	
BALANCE, December 31, 2002	27,580	28	126,165	--	(2,229)	238,030	(24,998)	
Net income	--	--	--	--	--	41,190	--	
Other comprehensive income	--	--	--	--	--	--	10,670	
Comprehensive income								
Capital contribution by officers and directors	--	--	698	--	--	--	--	
Options exercised	22	--	351	--	--	--	--	
Restricted stock award	--	--	1,324	(1,324)	--	--	--	
Amortization of restricted stock award	--	--	--	140	--	--	--	
Cash dividends declared:								
Common stock, $.25 per share	--	--	--	--	--	(6,405)	--	
BALANCE, December 31, 2003	27,602	$28	$128,538	$(1,184)	$(2,229)	$272,815	$(14,328)	

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

INTERPOOL, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(dollars in thousands)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$41,190	$ 4,389
Adjustments to reconcile net income to net cash provided by operating activities --		
Depreciation and amortization	97,289	101,007
Accrued losses on business transferred under contractual agreement	-	13,780
Provision/(benefit) for deferred income taxes	1,808	(3,118)
(Gain)/loss on sale of leasing equipment	(1,213)	4,257
Loss on sale of marketable securities	50	30
Gain on sale of assets held for sale	-	-
Gain on sale of land held for sale	-	(4,766)
Provision for uncollectible accounts	4,248	7,843
Gain on retirement of debt	-	(1,118)
Restricted stock grant expense	140	-
Fair value adjustment for derivative instruments	(837)	5,530
Losses for investments accounted for under the equity method	1,698	6,603
Sale of assets held for sale	-	-
Other, net	670	(14,290)
Net cash provided by operating activities	145,043	120,147
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of leasing equipment	(197,713)	(191,938)
Proceeds from dispositions of leasing equipment	16,828	12,041
Purchase of leasing equipment for resale	(34,814)	-
Proceeds from disposal of leasing equipment for resale	37,558	-
Proceeds from sale of land	-	7,955
Investment in direct financing leases	(109,254)	(64,088)
Cash collections on direct financing leases	77,793	59,749
Purchase of marketable securities	(10)	(1,494)
Sales and matured marketable securities and other investing activities	1,445	574
Investment in and advances to subsidiary	-	765
Proceeds from minority interest partner in chassis distributor	500	-
Net cash used for investing activities	(207,667)	(176,436)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of debt	211,813	1,227,406
Payment of long-term debt and capital lease obligations	(204,229)	(1,023,645)
Borrowings of revolving credit lines	88,000	47,000
Repayment of revolving credit lines	(56,505)	(121,846)
Purchase of treasury stock	-	(130)
Dividends paid	(6,049)	(5,643)
Net cash provided by (used for) financing activities	33,030	123,142
Net (decrease)/increase in cash and short-term investments	(29,594)	66,853
CASH AND CASH EQUIVALENTS, beginning of period	170,613	103,760
CASH AND CASH EQUIVALENTS, end of period	$141,019	$170,613
Supplemental schedule of non-cash financing activities:		
Direct finance lease financed through capital lease obligation	$4,397	$10,284
Assumption of debt in connection with sale of assets held for sale	$-	$-
Transfers from leasing equipment to direct finance leases	$22,124	$40,227
Increase in minority interest in consolidated subsidiary from contribution of equipment	$-	$-

The accompanying notes to consolidated financial statements are an integral part of these statements.

INTERPOOL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Nature of operations and significant accounting policies:

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

(a) Nature of operations--

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

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

The Company also had limited operations in a third reportable segment that specialized in leasing microcomputers and related equipment. The computer leasing segment consisted of two majority owned subsidiaries, Microtech Leasing Corporation ("Microtech") and Personal Computer Rental Corporation ("PCR"). During the third quarter of 2001, the Company adopted a plan to exit this segment that included i) acquiring the remaining ownership interest in Microtech and terminating its operations, and ii) selling the Company s ownership interest in PCR. As of December 31, 2003, the Company was continuing to liquidate the assets of Microtech. PCR s financial results deteriorated throughout 2002 and PCR ceased active operations and liquidated in 2003. Notwithstanding its plan to discontinue the operations of Microtech, such operations are reported on a continuing basis. See Note 7 to the Consolidated Financial Statements.

Beginning June 27, 2002, the Company s consolidated financial statements include Container Applications International, Inc. ("CAI"), which was previously accounted for under the equity method of accounting. The Company owns a 50% common equity interest in CAI. (See Note 12 for further information regarding CAI.)

(b) Basis of consolidation--

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

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

(c) Goodwill--

On June 29, 2001, the FASB approved its proposed SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"). SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual value, and reviewed for impairment in accordance with SFAS No. 144, *Accounting for the Impairment of Long-Lived Assets to Be Disposed Of* ("SFAS 144"). Goodwill acquired in business combinations completed before July 1, 2001 was amortized through the end of 2001.

Goodwill represents the excess of costs over the fair value of net assets acquired and was amortized through December 31, 2001 using the straight-line method over twenty years. Goodwill amortization for the year ended December 31, 2001 totaled $727 which is included in other (income)/expense, net in the accompanying consolidated statements of income. Commencing January 1, 2002, as a result of adopting SFAS 142, goodwill is no longer amortized but is reviewed for impairment. During December 2002, the Company conducted its annual goodwill impairment test. The test disclosed that at December 31, 2002 the fair value of an investment accounted for using the equity method included in the domestic intermodal leasing segment was below its carrying value. As a result, the Company s basis for this equity method investment was written down by $1,095 to its estimated fair market value. During December 2003, the Company conducted its annual goodwill impairment test. The test disclosed that at December 31, 2003, the fair value of the goodwill was in excess of its carrying value, therefore additional impairment charges were not required. Total goodwill recorded at December 31, 2003 and 2002 was $5,495 for both years and is included in other assets on the accompanying Consolidated Balance Sheet. This goodwill is included in total assets within the Domestic Intermodal Leasing segment. If SFAS 142 had been in effect for the year ended December 31, 2001, net income would have increased by $437, (net of tax). The basic and diluted net income per share would have been increased by $.02 in 2001.

(d) Translation of foreign currencies--

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

(e) Revenues--

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

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

(f) Maintenance and repair expense--

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

(g) Cash and cash equivalents--

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

(h) Allowance for doubtful accounts--

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

(i) Non-performing receivables--

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

(j) Direct financing leases--

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

(k) Stock-based compensation--

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

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

	Year Ended December 31,		
	2003	**2002**	**2**
Net income, as reported	$41,190	$4,389	$2
Add: Stock based employee compensation expense			

included in net income, net of related tax effects	383	---	
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(452)	(112)	
Pro forma net income	$41,121	$4,277	$2
Earnings per share:			
Basic-as reported	$1.51	$0.16	
Basic-pro forma	$1.50	$0.16	
Diluted-as reported	$1.42	$0.15	
Diluted-pro forma	$1.42	$0.15	

This pro forma impact only takes into account options granted since January 1, 1995. The average fair value of options granted during 2002 was $6.66. The fair value was estimated using the Black-Scholes Option pricing model based on the market price at Grant Date of $13.73 and the following assumptions: risk-free interest rate of 3.5%, expected life of 7 years, volatility of 50% and dividend yield of 1.31%. No Options were granted by the Company in 2003 or 2001.

(l) Insurance receivables--

The Company has maintained insurance coverage in the event of a lessee s insolvency, bankruptcy or default. Amounts recorded as an insurance claim receivable are included in other receivables, net in the Consolidated Balance Sheets and are limited to those amounts that are probable of collection and include only incurred costs and losses related to the insurable event. Amounts recorded as insurance claim receivable are recorded in other (income)/expense, net in the Consolidated Statements of Income. Upon collection of the receivable from the insurance carriers, any amounts in excess of or less than the receivable recorded would be recorded as other (income)/expense, net in the Consolidated Statements of Income.

(m) Property and equipment--

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

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

(n) Leasing equipment--

The Company records equipment at cost, except for equipment that it considers impaired. When equipment is considered impaired, the Company reduces the carrying amount to the equipment s estimated fair value at the impairment date. The Company capitalizes significant improvements if such improvements extend the life of the equipment. The Company charges repair and maintenance costs that do not extend the lives of the assets to expense as incurred. Upon disposition of equipment, the Company removes the cost and accumulated depreciation of assets disposed of from the accounts and recognizes any resulting gain or loss.

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

Dry freight standard containers	12.5 years
Chassis	17.5 to 22.5 years
Other	3 to 15 years

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

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

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

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

At December 31, 2003 and 2002, the Company performed a review of its container and chassis fleet in order to determine whether these assets are impaired in accordance with SFAS 144. The container fleet is reported within the container leasing segment, while the chassis are reported within the domestic intermodal equipment segment. This review indicated that there was no impairment to the fleet with the exception of specific units that were idle, some of which were badly damaged, and other specific units with design flaws. The Company performed a review of this equipment to determine whether the units would be repaired and returned to service or sold based upon the best economic alternative for the Company. This determination was based on the condition of the unit, its location and the resale market within that location. All units identified for sale were then written down, if required, to estimated net realizable value. For the years ended December 31, 2003 and 2002, the impairment loss on equipment was $3,065 and

$4,065. These amounts are recorded in depreciation expense on the accompanying Consolidated Statement of Income for 2003 and 2002, respectively. In addition, the Company recorded impairment losses related to damaged chassis equipment that was subsequently remanufactured of $4,994 and $4,719 for the years ended December 31, 2003 and 2002, respectively. These amounts are recorded in lease operating expenses on the accompanying Consolidated Statements of Income for 2003 and 2002, respectively.

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

(o) Marketable and other investment securities--

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

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

Through September 30, 2003, the Company classified its retained interest in the off-balance sheet direct finance lease securitization completed in March 1999 as an available-for-sale security in the Consolidated Balance Sheets. Effective October 1, 2003, a customer elected to return a portion of the equipment covered by a direct financing lease which had been included in the lease securitization program. This equipment was subsequently leased to another customer under the terms of an operating lease agreement. As such, the lease could no longer be considered a financial asset and the Securitization Trust special purpose entity could no longer be treated as an off-balance sheet qualified special purpose entity for accounting purposes. Therefore, effective October 1, 2003, the Company consolidated the assets and liabilities of this special purpose entity. For further information regarding the lease securitization program and the consolidation of this special purpose entity, see Note 8 to the Consolidated Financial Statements. Impairment losses of $134 for the year ended December 31, 2002, were recorded and included in the accompanying Consolidated Income Statements based upon management s analysis of projected cash flows of the underlying direct finance lease receivables in the Securitization Trust.

During the year ended December 31, 2003, sale of available-for-sale securities resulted in proceeds of $1,445, and gross losses of $50. During the year ended December 31, 2002, sales of available-for-sale securities resulted in proceeds of $574, gross gains of $5, and gross losses of $35. During the year ended December 31, 2001, no sales of available-for-sale securities took place.

The amortized cost and estimated fair value of available for sale securities as of December 31, 2003 and 2002 are as follows:

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estim Fair V

2003				
Marketable Securities	$24	---	---	
	$24	$---	$---	
2002				
Other Investment Securities	$10,319	$---	$---	$10,
Marketable Securities	1,553	---	(86)	1,
	$11,872	$---	$(86)	$11,

(p) Comprehensive income/(loss)--

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

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

	Before Tax Amount	Tax Effect
Year Ended December 31, 2003		
Unrealized holding gains arising during the period:		
Marketable securities (1)(2)	$83	$(29)
Cumulative foreign currency translation adjustment	71	(25)
Swap agreements	15,270	(4,700)
	$15,424	$(4,754)

(1) Amounts are net of losses on sales of marketable securities of $50 (before income tax effect of $2) recognized in the income statement.

(2) Amounts are net of a realized loss of $44 (before income tax effect of $18) considered permanent and recognized in the income statement.

Year Ended December 31, 2002		
Unrealized holding losses arising during the period:		
Marketable securities (3)	$(40)	$14
Other investment securities (4)	(304)	15
Cumulative foreign currency translation adjustment	(66)	23
Swap agreements	(23,436)	8,703
	$(23,846)	$8,755

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

(4) Amounts are net of impairments of $134 (before income tax effect of $5) recognized in the income statement.

Year Ended December 31, 2001			
Unrealized holding losses arising during the period:			
Marketable securities	$(29)	$11	$(18)
Other investment securities	(1,005)	50	(955)
Swap agreements (5)	(12,363)	2,195	(10,168)
	$(13,397)	$2,256	$(11,141)

(5) Includes $9,012 (before income tax effect of $2,434) relating to the cumulative effect of adopting SFAS 133.

The components of accumulated other comprehensive income/(loss), net of taxes, are as follows:

	December 31,	
	2003	**2002**
Marketable securities	$---	$(54)
Cumulative foreign currency translation adjustment	3	(43)
Swap agreements	(14,331)	(24,901)
	$(14,328)	$(24,998)

(q) Fair value of financial instruments

Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments* ("SFAS 107") requires disclosure of the estimated fair value of the Company s financial instruments, excluding leasing transactions accounted for under SFAS 13. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. Estimated fair values have been determined using the best available data and estimation methodology suitable for each category of financial instrument. The estimation methodologies used to estimate the fair values and recorded book balances of the Company s financial instruments at December 31, 2003 and 2002 are as follows:

Cash and cash equivalents

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

Marketable securities

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

Accounts receivable

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

Accounts payable and accrued expenses

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

Interest rate swaps

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

Debt and capital securities

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

	December 31, 2003		December 31, 2002	
	Estimated Fair Value	Recorded Book Balance	Estimated Fair Value	Record Bal
Financial Assets:				
Cash and cash equivalents	$141,019	$141,019	$170,613	$17
Marketable and investment securities	24	24	1,467	
Accounts receivable	69,055	69,055	63,950	6
Financial Liabilities:				
Accounts payable and accrued expenses (excluding interest rate swap contracts)	164,036	164,036	110,436	11
Interest rate swap contracts	34,026	34,026	49,577	4
Debt	904,273	910,755	802,490	82
Capital securities	68,813	75,000	60,570	7

(r) Concentration of risk--

Credit risk--

At December 31, 2003 approximately 47% of accounts receivable and 71% of the net investment in direct financing leases were from customers outside of the United States. At December 31, 2002, approximately 48% of accounts receivable and 72% of the net investment in direct financing leases were from customers outside of the United States.

In 2003, 2002 and 2001 the Company s top 25 customers represented approximately 74%, 71% and 69%, respectively, of its consolidated billings, with no single customer accounting for more than 8.2% in any year.

Procurement risk--

The Company purchases substantially all of its containers from manufacturers in China, therefore any changes in the political, economic or financial condition of China could temporarily impact our ability to meet our customers equipment requirements.

(s) Net income per share--

Basic net income per share is computed by dividing net income by the weighted average number of shares outstanding during the period (which is net of treasury shares). Diluted income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The dilutive effect of stock options and the unvested portion of restricted stock grants is computed using the treasury stock method, which assumes the repurchase of common shares at the average market price for the period. Stock options that do not have a dilutive effect (because the exercise price is above the market price) are not included in the diluted income per share. For the years ended December 31, 2003, 2002, and 2001, all stock options to acquire common shares are dilutive. Unvested restricted stock grants were dilutive for the year ended December 31, 2003. See Note 16 to the Consolidated Financial Statements. There were no unvested restricted stock grants outstanding during the years ended December 31, 2002 and 2001. The convertible redeemable subordinated debentures issued by the Company in December 2002, January 2003 and February 2003 were dilutive for the year ended December 31, 2003 and antidilutive for the year ended December 31, 2002. For further discussion of the debt characteristics of the convertible redeemable subordinated debentures, see Note 4 to the Consolidated Financial Statements.

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

	Year Ended December 31,		
	2003	2002	2001
Numerator			
Net Income - Basic EPS	$41,190	$4,389	$28,104
Interest Expense on convertible debentures, net of tax of $1,334	2,001	--	--
Net Income-Diluted EPS	$43,191	$4,389	$28,104
Denominator			
Weighted average common shares outstanding-Basic	27,365	27,360	27,417
Dilutive stock options	1,569	1,842	1,556
Dilutive convertible debentures	1,461	--	--
Dilutive restricted stock grants	1	--	--
Weighted average common shares outstanding-Diluted	30,396	29,202	28,973
Earnings per common share			
Basic	$1.51	$0.16	$1.03
Diluted	$1.42	$0.15	$0.97

(t) Adoption of New Accounting Standard--

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

In November 2002, the FASB issued FASB Interpretation No. 45, *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"). FIN 45 elaborates on the disclosures to be made by a guarantor in interim and annual financial statements about its obligations under certain guarantees it has issued. A guarantor is required to disclose (a) the nature of the guarantee, including the approximate term, how the guarantee arose, and the events and circumstances that would require the guarantor to perform under the guarantee; (b) the maximum potential amount of future payments under the guarantee; (c) the carrying amount of the liability, if any, for the guarantor s obligation under the guarantee; and (d) the nature and extent of any recourse provisions or available collateral that would enable the guarantor to recover the amounts paid under the guarantee. FIN 45 also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Disclosure requirements are effective for financial statements with periods ending after December 15, 2002 while the initial recognition and initial measurement provisions shall be applied on a prospective basis to guarantees issued or modified after December 31, 2002. The Company has adopted the provisions of FIN 45 as required. (See Note 9 to the Consolidated Financial Statements for disclosures regarding the Company s guarantees.) The adoption of FIN 45 did not have a material impact on the Company s Consolidated Financial Statements.

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

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

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

(u) Use of estimates--

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

(v) Reclassifications--

Subsequent to the initial filing of our Form 10-K for the year ended December 31, 2003, certain reclassifications have been made to the 2003, 2002 and 2001 amounts. More specifically, the Company determined it was necessary to reclassify certain types of revenue which had been previously reported as a reduction to lease operating expenses. This revenue consists primarily of fees charged to lessees for handling, repositioning and repairs which had previously reduced the related costs for these services. This revenue will be reported separately as other revenue on the face of the Company s Consolidated Statements of Income. These reclassifications have no impact on net income.

(w) Adjustments to Opening Retained Earnings--

During the fourth quarter of 2004, the Company sold certain assets (with a book value of approximately $1,865) of CTC Container Trading (U.K.) Limited ("CTC"), a wholly-owned subsidiary which leased specialized cargo carrying units and other equipment for use by companies operating in the North Sea. While quantifying the approximate impact related to this sale, the Company noted that there was an elimination entry of approximately $803, net of tax, in the Interpool Limited consolidation related to CTC. This entry reduced retained earnings with a comparable reduction to leasing equipment. The entry originated when Interpool Limited sold container equipment to CTC at a profit prior to 1994. The elimination entry was recorded to eliminate the inter-company profits generated from the sale of the equipment. The inter-company profit included in the elimination entry should have been amortized over the period the equipment was being depreciated by CTC using the higher book values. No such amortization ever took place. The depreciation would have ended prior to any period being reported on by the Company in the December 31, 2003 Form 10-K. The effect of this error was to understate earnings during the period that the equipment was being depreciated. The Company determined the impact of this error should be reported as an adjustment to opening retained earnings.

(2) Income taxes:

Significant components of deferred tax assets and liabilities as of December 31, 2003 and 2002 were as follows:

	2003	2002
Deferred tax assets:		
Loss carry forwards	$123,607	$112,92
Other	28,187	30,32
Total deferred tax assets	151,794	143,25
Valuation allowances	(16,009)	(14,806
Net deferred tax assets	135,785	128,44
Deferred tax liabilities:		
Operating property, net	170,167	154,87
Other	3,010	5,43
Total deferred tax liabilities	173,177	160,31
Net deferred tax liability	$37,392	$31,86

One of the Company s subsidiaries has tax net operating loss carryforwards ("NOLs") for Federal income tax purposes totaling approximately $15,602, which may be used only to offset that subsidiary s income. These NOLs, if not utilized, will expire between 2005 and 2006. A valuation allowance has been recorded for the full amount of these NOLs because the utilization of these NOLs prior to their expiration is considered unlikely. In 2003 and 2002, the Company recorded additional valuation allowances aggregating $1,203 and $6,253 primarily for future tax deductions related to an equity investment, the Chassis Holdings I, LLC and for losses incurred with respect to PCR.

Through December 31, 2003, the Company has incurred passive activity loss carryovers of approximately $220,659 for U.S. federal income tax purposes. These losses can be carried forward indefinitely to offset income from future leasing activities. Additionally, the Company and its subsidiaries have net operating loss carryovers aggregating approximately $211,446 which (after 2003 for New Jersey) can be used to offset fully or partially future taxable income for state purposes. For New Jersey state tax purposes these losses are scheduled to expire after 2009 if not utilized.

A significant subsidiary of the Company is a Barbados corporation. Under the terms of a protocol between the United States and Barbados, the subsidiary s leasing income is fully taxable by Barbados, but exempt from U.S. Federal taxation. The Barbados tax rate is a maximum of 2½% of income earned in Barbados. No deferred U.S. Federal income taxes have been provided on the unremitted earnings of the subsidiary since it is the Company s intention to indefinitely reinvest such earnings. At December 31, 2003 unremitted earnings of this subsidiary were approximately $333,925. The deferred U.S. Federal income taxes related to the unremitted earnings of this subsidiary would be approximately $109,375, assuming these earnings were taxable at the U.S. statutory rate, net of foreign tax credits.

As a company resident in Barbados, Interpool Limited is required to file tax returns in Barbados and pay any tax liability to Barbados. However, no Barbados tax returns have been prepared or filed for Interpool Limited for any period subsequent to its 1997 tax year, because such tax returns are required to be accompanied by audited financial statements for Interpool Limited, which are not available. The Company believes that the failure to file these returns has not resulted in any underpayment of taxes, interest or penalties (other than a nominal late filing penalty recently enacted in Barbados), because no Barbados taxes would have been due for the years for which returns have not been filed. The Company further believes that Interpool Limited s failure to file these returns would not present any other material risk to Interpool. The Company intends to have the necessary Interpool Limited financial statements prepared and audited as promptly as practicable so that Interpool Limited s Barbados tax returns can be filed as required. For further information regarding the July 2004 Protocol between the United States and Barbados, see Note 18 to the Consolidated Financial Statements.

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

	2003	2002	20
U.S. statutory rate	35.0%	35.0%	
Difference due to operation of subsidiary in Barbados	(32.9)	(285.5)	(
State taxes	1.3	(52.0)	
Other	1.4	4.3	
PCR losses	--	39.3	
Valuation allowances	2.6	212.4	
Actual tax rate	7.4%	(46.5)%	

The provision (benefit) for income taxes, including the tax effect for the cumulative effect of change in accounting principle, reflected in the accompanying consolidated statements of income is as follows:

	2003	2002	2001
U.S.	$1,724	$(1,883)	$5,107
Other	1,557	490	293
	$3,281	$(1,393)	$5,400
Current	$1,473	$1,725	$1,898
Deferred	1,808	(3,118)	3,502
	$3,281	$(1,393)	$5,400

(3) Leasing activities:

As lessor--

The Company has entered into various leases of equipment that qualify as direct financing leases. At the inception of a direct finance lease, the Company records a net investment based on the total investment (representing the total future minimum lease payments plus unguaranteed residual value), net of unearned lease income. The unguaranteed residual value is generally equal to the purchase option of the lessee, and is included in total lease receivables (approximately $63,927 and $60,012 at December 31, 2003 and 2002, respectively). Unearned income represents the excess of total future minimum lease payments plus residual value over equipment cost. Receivables under these direct financing leases, net of unearned income, are collectible through 2015 as follows:

	December 31, 2003		
	Total Lease Receivable	Unearned Lease Income	Net L Receiv
2004	$129,287	$41,206	$88
2005	107,455	32,823	74
2006	93,261	24,103	69
2007	86,804	16,492	70
2008	51,997	10,492	41
Thereafter	104,152	21,025	83
	$572,956	$146,141	$426

As of December 31, 2002, the Company had total lease receivable, unearned lease income and net lease receivables of $455,263, $121,134 and $334,129 respectively.

As of December 31, 2003 the Company also had noncancellable operating leases, under which it will receive future minimum rental payments as follows:

2004	$ 89,733
2005	57,762
2006	46,006
2007	31,910
2008	14,731
Thereafter	5,578
	$ 245,720

The Company capitalizes lease commissions and amortizes this cost over the average life of the related lease contract. At December 31, 2003 and 2002, $3,902 and $3,987 of these commissions were included in other assets on the accompanying Consolidated Balance Sheet.

In February 2001, we demanded return of all our equipment on lease to a significant customer based in South Korea. The lessee subsequently commenced insolvency proceedings and did not return our equipment. At the time of this insolvency, we maintained insurance coverage against such lessee defaults, and we submitted a claim to our insurance carriers seeking to recover the value of the receivables owed by the customer (to the extent covered by the insurance policies). Our claim included per diem rental charges for up to one hundred and eighty days after the default date for equipment not returned by the lessee as well as loss, damage and recovery costs relating to the equipment on lease that are also billable to the lessee in accordance with the lease. Our claim was in excess of the policy s maximum coverage of $35,000. On December 26, 2002, the insurance carriers filed a lawsuit against us seeking among other things rescission of the policies. We in turn filed an answer and counter-claim for payment of our insurance claim. For further information regarding the settlement of this lawsuit; see Note 18 to the Consolidated Financial Statements. As of December 31, 2003 and 2002 the outstanding receivable recorded from the insurance carriers is $20,481 and $19,605, respectively and is recorded in other receivables, net in the Consolidated Balance Sheet. The difference between the receivable recorded due from the insurance carriers and the claim submitted primarily relates to per diem revenues, repairs and maintenance and other costs billable to the lessee (and covered by the insurance contract) that are in excess of costs incurred.

Allowance for doubtful accounts--

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

	2003	2002	2001
Balance, beginning of year	$14,033	$6,674	$16,372
Provision charged to expense	4,248	7,843	9,001
Increase for allowance due to consolidation of CAI as of June 27, 2002	--	1,898	---
Reclassification of Liabilities of Business Transferred Under Contractual Agreement	---	---	(538)
Write-offs	(2,140)	(2,504)	(18,327)
Recoveries	226	132	170
Other	(9)	(10)	(4)
Balance, end of year	$16,358	$14,033	$6,674

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

The past due amounts are reclassified to accounts receivable,

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

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

As of December 31, 2003 and 2002, included in accounts receivable are non-performing receivables of $12,795 and $11,127, respectively. The Company s average non-performing receivables are $11,669 and $9,150 for the years ended December 31, 2003 and 2002, respectively. As of December 31, 2003 and 2002, included in the allowance for doubtful accounts are reserves for the non-performing receivables of $11,918 and $9,505, respectively. 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.

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

The Company seeks to reduce credit risk by maintaining insurance coverage against customer insolvency and related equipment losses. Through January 31, 2002, the Company maintained contingent physical damage, recovery/repatriation and loss of revenue insurance, which provided coverage in the event of a customer s insolvency, bankruptcy or default giving rise to its demand for return of all of its equipment. The policy covered the cost of recovering the Company s equipment from the customer, including repositioning cost, damage to the equipment and the value of equipment that could not be located or was uneconomical to recover. It also covered a portion of the lease revenues that the Company might lose as a result of the customer s default (i.e., up to 180 days of lease payments following an occurrence under the policy). The premium rates and deductibles for this type of insurance have increased as a result of higher claim experience by the Company and also within the industry. As a result, effective March 1, 2003, the Company has obtained a new policy covering similar occurrences for a twelve-month period but with revised terms. The new coverage decreases the recoverable amount per occurrence to $9,000 as compared to $35,000 in our previous policy and increases the deductible per occurrence from $400 to $3,000. This coverage has since been extended to March 31, 2005. There can be no assurance that this or similar coverage will be available in the future or that such insurance coverage will cover the entirety of any loss.

(4) Debt:

The following table summarizes our debt and capital lease obligations as of December 31, 2003 and 2002.

Total Debt and Capital Lease Obligations	**December 31, 2003**	**December 31,**
Capital lease obligations payable in varying amounts through 2018	$325,258	$363,67
Chassis Securitization Facility, interest at 5.59% and 5.08% at December 31, 2003 and 2002, respectively		
Warehouse facility	25,490	--
Debt obligation	86,413	120,24
Capital lease obligation	404,674	410,49
Revolving credit facility, interest rate at 3.09% and 2.64% at December 31, 2003 and 2002, respectively	193,495	175,00
Revolving credit facility CAI, interest at 3.37% and 3.69% at December 31, 2003 and 2002, respectively	87,000	74,00
Container securitization facility, interest at 6.5% and 5.85% at December 31, 2003 and 2002, respectively	76,565	91,99
7.35% Notes due 2007 (unsecured)	147,000	147,00
7.20% Notes due 2007 (unsecured)	62,825	62,82
9.25% Convertible redeemable subordinated debentures, mandatory redemption 2022 (unsecured)	37,182	32,11
Notes and loans repayable with various rates ranging from 1.89% to 7.90% and maturities from 2004 to 2010	194,785	119,85
Total Debt and Capital Lease Obligations	**1,640,687**	**1,597,21**
Less Current Maturities	**219,192**	**161,40**
Total Non-Current Debt and Capital Lease Obligations	**$1,421,495**	**$1,435,80**

At December 31, 2003, the Company had fully utilized its revolving credit facility while CAI had approximately $17,000 available under its facility.

As of December 31, 2003, the annual maturities of capital leases and related interest were as follows:

	Payment	Interest	Principal
2004	$ 82,028	$16,991	$ 65,037
2005	92,507	13,900	78,607
2006	63,059	9,678	53,381
2007	70,861	6,968	63,893
2008	58,576	4,713	53,863
Thereafter	419,756	4,605	415,151
	$786,787	$56,855	$729,932

As of December 31, 2003, the annual maturities of debt, net of interest thereon, were as follows:

2004	$154,155
2005	267,518
2006	154,872
2007	238,659
2008	27,117
Thereafter	68,434
	$910,755

The Company s debt consists of notes and loans and capital lease obligations with installments payable in varying amounts through 2022, with a weighted average interest rate of 6.0% and 6.6% in 2003 and 2002, respectively. The principal amount of debt and capital lease obligations payable under fixed rate contracts is $491,335. Remaining debt and capital lease obligations of $1,149,352 is payable under floating rate arrangements, of which $500,115 has been converted to fixed rate debt through the use of interest rate swap agreements. At December 31, 2003, most of the debt and capital lease obligations of the Company are secured by a substantial portion of the Company s leasing equipment and direct finance leases, except for $247,007 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.

Effective October 1, 2003, a customer elected to return a portion of the equipment covered by a direct financing lease which had been included in a qualified special purpose entity as part of the lease securitization program. The equipment was subsequently leased to another customer under the terms of an operating lease agreement. As such, the lease could no longer be considered a financial asset and the entity could no longer be treated as an off-balance sheet qualified special purpose entity for accounting purposes. Therefore, effective October 1, 2003, the Company consolidated the assets and liabilities of this special purpose entity and recorded the remaining obligation of this special purpose entity amounting to $17.3 million as debt and capital lease obligations on the Consolidated Balance Sheets. For further information regarding the change in accounting for this special purpose entity, see Note 8 to the Consolidated Financial Statements.

Because the Company s financial restatement and re-audits, as well as the completion of the internal investigations by special counsel to its Audit Committee, prevented the timely completion of its financial statements and Form 10-K for the year ended December 31, 2003 and its financial statements and SEC filings for 2004, the Company requested and received necessary waivers under its debt agreements. For additional information regarding this restatement, see Note 2 in the Company s 2002 Form 10-K. During February 2004, the Company provided its lenders with a revised schedule for completing and filing its financial statements and periodic SEC filings for 2003 and 2004, and requested that the lenders waive any default resulting from the late preparation and filing of its financial statements and required periodic reports contained in the loan documents and debt instruments until the respective dates set forth in the revised schedule. The revised dates provided to, and accepted by the Company s lenders are:

Statement	Revised Completion Date
2003 - 10-K	On or before August 31, 2004
2004 - First Quarter 10-Q	On or before December 31, 2004
2004 - Second Quarter 10-Q	On or before December 31, 2004
2004 - Third Quarter 10-Q	On or before December 31, 2004

The Company has received waivers from all of its lenders agreeing to the dates above. Although the Company hopes to be able to complete and file all reports earlier than the applicable dates, it cannot provide assurance that it will meet these deadlines. If the Company were unable to meet these deadlines, it would need to request additional waivers from certain of its financial institutions. In the event that any additional waiver is required and cannot be obtained before the applicable deadline, the Company might be in violation of the terms of the applicable indebtedness, and the lender could exercise its right to declare the Company in default, accelerate the indebtedness owed to such lender, and take other action against the Company. Moreover, the taking of any such action, or the possibility that such action could be taken, could cause one or more of the Company s other financial institutions to take action.

Several of the waivers received from the Company s financial institutions during 2003 and 2004 provide by their terms that the waiver is void if certain events occur, such as a declaration of default by one or more of its other lenders, or the commencement of civil or criminal proceedings against the Company or any adverse action by the SEC or the New York Stock Exchange, if such action has a material adverse effect upon the Company s ability to perform its contractual obligations. Although the Company does not believe that any of these actions has occurred to date, there can be no assurance that they will not occur in the future. In addition, several of the waivers the Company obtained are contingent upon a determination by the applicable lender that the changes resulting from the financial restatement to its historical financial statements for 2001 and 2000 and the first nine months of 2002 did not represent a material change to the Company s financial condition for these periods as originally reported. For additional information regarding this restatement, see Note 2 in the Company s 2002 Form 10-K. While the restatement was necessary, the Company believes that its revised financial statements did not represent such a material change. In the event any of the existing waivers ceased to be effective by its terms, the Company could be deemed to be in violation of the terms of the indebtedness to which the waiver relates. In this event, one or more of its lenders could exercise their right to declare the Company in default, accelerate the indebtedness owed to such lender, and take other actions against the Company, such as attempting to exercise rights as a secured creditor with respect to any collateral. If any of these circumstances were to occur, the Company might not be able to meet its obligations to its lenders and other creditors and might not be able to prevent such parties from taking actions that could jeopardize the Company s ability to continue to operate its business.

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

> The container securitization facility was amended to relinquish the Company's right to request additional advances under the facility and the Company agreed that all lease payments subsequently received under the facility would be used to reduce the indebtedness. In addition, the Company agreed to comply with several new covenants, consistent with those contained in the amendment to its revolving credit agreement, as described below.

In May 2003, the Company established a $200,000 revolving warehouse facility within its chassis securitization facility and received funding from a $25,500 debt obligation issuance. In July 2003 and October 2003, the Company agreed, among other things, to suspend its ability to incur additional funding under the warehouse facility until such time as the loan and guarantee parties have each agreed in their sole discretion to reinstate their funding commitments. 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 Company's revolving credit facility due to the late filing of its periodic reports with the SEC and the restatement of its past financial statements, the Company agreed, among other things, to reduce advance rates under this 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 the delinquent SEC filings are made. Specifically, the Company agreed to maintain unrestricted cash and cash equivalents of at least $71,000 at all times and at least $80,000 as of the last business day of each month, until its 2002 Form 10-K was filed. The Company's 2002 Form 10-K was filed on January 9, 2004. Subsequent to January 9, 2004, the Company was obligated to maintain unrestricted cash and cash equivalents of at least $60,000 at all times and at least $67,500 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, the Company replaced its annual amortization payment with monthly amortization payments under its revolving credit facility beginning in March 2004. The related minimum cash requirement was subsequently reduced dollar-for-dollar with the amortization payments and, as of June 30, 2004, amounts to $50,000. Beginning with the amortization payment due September 1, 2004, the minimum cash requirement will again be reduced dollar-for-dollar as amortization payments are made. The minimum cash balance requirement will be eliminated once the Company is current with its delayed financial filings.

The Company 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 its other financial institutions in connection with obtaining waivers. The October 2003 amendment also required the Company to provide additional financial information to the lenders under the facility and to continue the engagement of a financial advisor.

In addition to the debt specifically identified above, the Company had additional notes and loans outstanding with various financial institutions. In the fourth quarter of 2003, the Company agreed to certain modifications to the provisions of some of these instruments. These modifications include, in certain instances, changes to the amortization schedule resulting in a requirement for accelerated principal payments of $16,634 ($2,000 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 $67,672 outstanding as of December 31, 2003 and the pledging of $9,135 in additional collateral to four facilities having a total of $38,616 outstanding at the time the additional collateral was pledged.

In April 2003, in connection with a borrowing under the container securitization, the Company entered into an interest rate swap agreement with an original notional amount of $31,240. This swap contract (which qualifies as a cash flow hedge) matures in 2009 and the swap is 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, the Company entered into an interest rate swap with an original notional amount of $25,490. This swap contract (which qualifies as a cash flow hedge) matures in 2014 and the swap is used to manage interest rate risks on the floating rate borrowings in the chassis revolving warehouse securitization facility.

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

During 2003, in addition to additional financing under its container and chassis securitizations of $51,343 and $25,490, respectively the additional borrowing of $50,000 under its revolving credit facility, and $38,000 borrowed by CAI under its revolving credit facility, the Company entered into new financing arrangements totaling $134,980. The new debt and capital leases entered into during 2003 consisted of the following:

Total New Debt and Capital Lease Obligations	**New Borrowings 2003**
Capital lease obligations payable through 2010 with interest imputed at rates from 4.4% to 6.4%	$14,356
9.25% Convertible redeemable subordinated debentures, mandatory redemption 2022	5,064
Notes and loans repayable with various rates ranging from 3.1% to 4.0% and maturities from 2006 to 2009	115,560
Total New Debt and Capital Lease Obligations 2003	$134,980

Included in the notes and loans are borrowings of $16,000 and $7,000 from Yardville National Bank, a subsidiary of an entity in which the Company s Chief Executive Officer owns approximately five percent of the common stock and serves on the Executive Committee of the Board of Directors. The term of the $16,000 loan is three years with thirty-four fixed monthly principal payments of $250 commencing May 25, 2003 and a final principal payment of $7,500 due on March 25, 2006. Interest is payable monthly, at an initial rate of 4.25%, and is adjusted monthly to the prime rate as published in the Wall Street Journal subject to a 4% minimum and 5% maximum per annum rate. The term of the $7,000 loan is five years with fifty-nine fixed monthly principal payments of $75 commencing September 7, 2003 and a final principal payment of $2,575 due on August 7, 2008. Interest is payable monthly, at an initial rate of 4%, and is adjusted monthly to the prime rate as published in the Wall Street Journal subject to a 4% minimum and 6% maximum per annum rate.

Covenants**:** Under its revolving credit facility and most of its other debt instruments, the Company is required to maintain covenants (as defined) for a tangible net worth of $125,000, a fixed charge coverage ratio of 1.5 to 1 and a funded debt to net worth ratio (as defined in the agreement, which is stockholder s equity plus company-obligated mandatorily redeemable preferred securities in subsidiary grantor trusts, less goodwill) of 4.0 to 1. A financing facility entered into in March 2004 contains more stringent covenants, including a requirement that the Company maintains a tangible net worth of at least $300,000. The Company will seek to eliminate these more stringent covenants by refinancing this facility during the second half of 2004. At December 31, 2003, under covenants in the Company s loan agreement approximately $94,708 of retained earnings were available for dividends. In July 2003 and October 2003, in connection with obtaining necessary waivers under the revolving credit facility due to the late filing of the Company s periodic reports with the SEC and the restatement of its past financial statements, the Company agreed, among other things, to reduce advance rates under this facility, to define several additional events as events of default, to increase the interest rate margin and to maintain specified levels of unrestricted cash and cash equivalents until the delinquent SEC filings are made. The Company also agreed to restrictions on dispositions of collateral and on encumbrances of assets as well as a limitation on concessions that could be made to its other financial institutions in connection with obtaining waivers. The October 2003 amendment also required the Company to provide additional financial information to the lenders under the facility and to continue the engagement of a financial advisor. At December 31, 2003 the Company is in compliance with these covenants as amended.

(5) Derivative instruments:

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

In June 1998, the FASB issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"). In June 1999, the FASB issued Statement No. 137, *Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133*. In June 2000, the FASB issued SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS 133*. Statement 133, collectively referred to hereafter as SFAS 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative instrument s fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument s gains and losses to offset related results on the hedged item in the income statement, to the extent effective, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. For derivatives qualifying as hedges of future cash flows, the effective portion of changes in fair value is recorded temporarily in accumulated other comprehensive loss as a separate component of equity, and contractual cash flows, along with the related impact of the hedged items, continue to be recognized in earnings. On January 1, 2001, the Company adopted SFAS 133. SFAS 133, in part, allows special hedge accounting for fair value and cash flow hedges. SFAS 133 provides that the gain or loss on a derivative instrument designated and qualifying as a fair value hedging instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk be recognized currently in earnings in the same accounting period. SFAS 133 provides that the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument be reported as a component of other comprehensive income and be reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. (The remaining gain or loss on the derivative instrument, if any, must be recognized currently in earnings.)

During 2003, the Company modified its procedures for assessing hedge effectiveness, changing from a reliance on a dollar offset ratio calculation to the use of regression analysis. In following SFAS 133, the Company was required to discontinue the original hedging relationships and to redefine replacement hedging relationships with new documentation that reflected the use of regression analysis for the testing of hedge effectiveness.

As of December 31, 2003 and December 31, 2002, included in accounts payable and accrued expenses in the accompanying Consolidated Balance Sheets is a liability of $34,026 and $49,577, respectively, representing the market value of the Company s interest rate swap contracts.

The unrealized pre-tax income on cash flow hedges for the year ended December 31, 2003 of $15,270 and the related income tax provision of $4,700 have been recorded by the Company as a component of other comprehensive income (loss).

The unrealized pre-tax losses on cash flow hedges for the year ended December 31, 2002 of $23,436 and the related income tax benefit of $8,703 have been recorded by the Company as a component of other comprehensive income (loss). See Note 1 to the Consolidated Financial Statements for additional disclosures regarding swap agreements and their impact on other comprehensive income.

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

Pre-tax income for the year ended December 31, 2003 resulting from the change in fair value of interest rate swap agreements held which do not qualify as cash flow hedges under Statement 133 of $834 has been recorded on the Consolidated Statements of Income as fair value adjustment for derivative instruments. This compares to $5,621 of pre-tax losses for year ended December 31, 2002. Pre-tax income of $3 for the year ended December 31, 2003 resulting from interest rate swap agreements which qualify as cash flow hedges but are not perfectly correlated have associated ineffectiveness and have been recorded in the Consolidated Statements of Income as fair value adjustment for derivative instruments. This compares to $91 of pre-tax income for the year ended December 31, 2002. Future ineffectiveness related to these interest rate swap agreements will continue to be recorded in the Consolidated Statements of Income.

As of December 31, 2003, the annual maturities of the notional principal amounts, with installments payable in varying amounts through 2014, and the weighted average interest rates expected to be received or paid for interest rate swap contracts were as follows:

	Notional Amount	Receive Rate	Pay Rate
2004	$91,295	1.14%	4.89%
2005	95,091	1.14%	4.93%
2006	59,836	1.14%	4.98%
2007	166,906	1.15%	5.71%
2008	31,793	1.15%	5.33%
Thereafter	95,605	1.15%	5.49%
Total	$540,526	1.15%	5.29%

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

(6) Assets Sold to Transport Intermodal Pool ("TIP"):

In March 2001, the Company sold 50,000 rail trailers and domestic containers, including all 41,000 rail trailers and domestic containers the Company acquired from the North American Intermodal Division of Transamerica Leasing, Inc. ("TA") in October 2000, to TIP. The asset value as of March 31, 2001 includes $281,354 related to the units acquired from TA, $4,716 of accounts receivable and $62,009 of assets previously owned by the Company. The Company recorded a gain of $1,774 upon the consummation of this sale, which represents the premium paid for the units previously owned by the Company over their net book value.

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

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

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

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

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

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

A $5,000 guarantee provided by the Company for PCR borrowings from an unrelated financial institution. For information regarding the satisfaction of this guarantee in July 2004, see Note 18 (Subsequent Events - Financing Activities) to the Consolidated Financial Statements;

A $3,000 guarantee provided by certain directors and officers of the Company for a line of credit obtained by PCR from a financial institution related to the Company - (See Note 11 to the Consolidated Financial Statements); and

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

Effective December 31, 2001, all of the assets of PCR were aggregated under the caption, assets of business transferred under contractual agreement, and all of the liabilities and minority interest of PCR were aggregated under the caption liabilities of business transferred under contractual agreement on the Company s Consolidated Balance Sheet. The receivables due from PCR on the Company s Consolidated Balance Sheet at December 31, 2001 were eliminated against the related liabilities included in liabilities of business transferred under contractual agreement.

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

During the fourth quarter of 2002, the Company determined that it was unlikely that PCR would be able to continue as a going concern, and, in the first quarter of 2003, PCR entered bankruptcy proceedings and began the voluntary liquidation of its business. As a result, during the fourth quarter of 2002, the Company accrued for its obligations related to the liquidation of PCR. The amounts accrued by the Company in 2002 included $4,429 related to its guarantee of PCR s debt, $2,681 in payments made by The Ivy Group (which had assumed the $3,000 guarantee made by certain officers and directors of the Company) to pay off PCR s bank debt and provide short term liquidity (see further discussion below), the write-off of $1,400 in computer equipment related receivables due to Microtech, and $1,168 related to consulting and bonus agreements provided to key officers of PCR. These amounts have been included in other (income)/expense, net in the Company s Consolidated Statements of Income. For further information regarding the satisfaction of the guarantee of PCR s debts in July 2004, see Note 18 (Subsequent Events Financing Activities) to the Consolidated Financial Statements.

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

(8) Lease securitization program:

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

Prior to October 1, 2003 the Company classified the retained interest as an available for sale security, which was included in other investment securities in the accompanying Consolidated Balance Sheets. Accordingly, the retained interest was accounted for at fair value, with any changes in fair value over its allocated historical book value recorded as a component of accumulated other comprehensive income/(loss), net of tax, in the Consolidated Statement of Changes in Stockholders Equity. As of September 30, 2003 and December 31, 2002, the Company s estimated fair market value of its retained interest was $3,801 and $10,319, respectively, using a discounted cash flow model assuming expected credit losses of 1.5% and a discount rate of 12.6%, in both periods. Prior to October 1, 2003 and for the years ended December 31, 2002 and 2001, the Company recorded interest income on the retained interest totaling $976, $1,777, and $3,558, respectively, which is included in revenues in the accompanying Consolidated Statements of Income. Impairment losses of $571, $134 and $0 for the nine months ended September 30, 2003 and for the years ended December 31, 2002 and 2001, respectively, were recorded and included in the accompanying Consolidated Statements of Income based upon changes in management s projected cash flows of the underlying direct finance lease receivables in the securitization trust. The impairment charge recorded in 2003 resulted primarily from an amendment and waiver dated September 19, 2003, wherein the Company agreed that all future cash flows generated by the securitization facility that would have otherwise been remitted to the Company in satisfaction of its retained interest would be used to reduce the remaining obligations of its container securitization facility until such obligations were fully repaid. In addition, the Company agreed to defer its receipt of servicing fees. Once all obligations are repaid, the Company would then receive the future lease payments in satisfaction of its net investment in direct financing leases and deferred servicing fees. For the nine months ended September 30, 2003 and for the years ended December 31, 2002 and 2001 cash flows received on the retained interest were $6,923, $6,435 and $15,585, respectively.

During the fourth quarter of 2003, a customer elected to return a portion of the equipment covered by a direct financing lease which had been included in the lease securitization program. This equipment was subsequently leased to another customer under the terms of an operating lease agreement. As such, the lease could no longer be considered a financial asset and since the special purpose entity continued to own this non-financial asset, the entity could no longer be treated as an off-balance sheet qualified special purpose entity for accounting purposes.

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

During the three months ended December 31, 2003, the amortization of the net investment in direct financing leases and the revenue earned on these direct financing leases amounted to $4,355 and $608, respectively.

Interpool Limited, a subsidiary of the Company (the "Servicer"), acts as servicer for the assets. Pursuant to the terms of the servicing agreement as amended on October 18, 2002, the Servicer is paid a fee of 0.75% of the assets under management. Prior to the amendment to the servicing agreement, the Servicer was paid a fee of 0.40%. As a result of this amendment, the Company recorded a permanent impairment loss of $240 for the year ended December 31, 2002 in the accompanying Consolidated Statements of Income. The Company s management has determined that the servicing fee paid approximates the fair value for services provided, as such, no servicing asset or liability has been recorded. For the nine months ended September 30, 2003 and for the years ended December 31, 2002 and 2001, the Company received servicing fees totaling $706, $591 and $486 which are included in revenues in the accompanying Consolidated Statement of Income.

At December 31, 2002, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10 percent and 20 percent adverse changes in those assumptions are as follows:

	December 31, 2002
Carrying amount/fair value of retained interests	$10,319
Weighted-average life (in years)	1.8
Expected credit losses (annual rate)	**1.5%**
Impact on fair value of 10% adverse change	$83
Impact on fair value of 20% adverse change	$167

Residual cash flows discount rate (annual)	**12.6%**
Impact on fair value of 10% adverse change	$182
Impact on fair value of 20% adverse change	$354

(9) Other contingencies and commitments:

Lease Commitments: The Company and its subsidiaries are parties to various operating leases relating to office facilities, transportation vehicles, and certain other equipment with various expiration dates through 2012. All leasing arrangements contain normal leasing terms without unusual purchase options or escalation clauses. Rental expense under operating leases aggregated $21,470, $17,074 and $14,856 for the years ended December 31, 2003, 2002 and 2001, respectively.

As of December 31, 2003, the aggregate minimum rental commitment under operating leases having initial or remaining noncancellable lease terms in excess of one year was as follows:

2004	$20,167
2005	15,412
2006	18,496
2007	10,919
2008	5,864
Thereafter	6,483

	$77,341
	========

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

Employment Agreements: The Company has entered into employment agreements with certain executive officers and employees which provide for minimum salary, bonus arrangements and benefits for periods from 1 to 7 years. As of December 31, 2003, the minimum obligation related to these agreements approximated $8,800.

Separation Agreements: The Company has entered into separation agreements with its former President and Chief Operating Officer and its former Executive Vice President and Chief Financial Officer that provide for payments and benefits for periods of 2 to 4 years. As of December 31, 2003, the minimum obligation related to these agreements approximated $4,172. The expense related to these separation agreements was recorded during 2003.

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

At December 31, 2003, the following guarantees were issued and outstanding:

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

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

Contractual relationships:The Company entered into a number of operating leases during 2000 and 2002 in which it guaranteed a portion of the residual value of the leased equipment. These leases have terms that expire between 7 and 10 years. If at the end of the lease term the fair market value of the equipment is below the guaranteed residual value in the agreement, the Company is liable for a percentage of the deficiency. The total of these guarantees is $12,405 of which $8,011 could be due in 4 to 5 years, with the remaining $4,394 potentially due in greater than 5 years. As of December 31, 2003 and 2002, included in accounts payable and accrued expenses in the accompanying Consolidated Balance Sheets is a liability of $144 and $99, respectively, representing the accrual for these guarantees.

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

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

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

Standby Letters of Credit: As of December 31, 2003, CAI, a consolidated subsidiary of the Company, has two outstanding letters of credit totaling $6,000 which guarantee its obligations under certain operating lease agreements. These letters of credit expire in May, 2005.

Guarantee of Unconsolidated Affiliate Debt: Since 2000, the Company has guaranteed PCR debts due to third parties totaling $5,000. At December 31, 2002, with PCR in liquidation, a determination was made that it was probable that the Company would incur costs related to this guarantee. As a result, the Company has recorded a liability for $4,429 representing its guarantee of PCR debts net of amounts collected related to PCR s liquidation. This is included in accounts payable and accrued expenses in the 2003 and 2002 Consolidated Balance Sheets. Although there is a recourse provision that allows the Company to recover payments under the guarantee, recovery is unlikely. This guarantee was subsequently paid off through a secured financing arrangement completed by the Company in July 2004. For information regarding the satisfaction of this guarantee in July 2004, see Note 18 (Subsequent Events Financing Activities) to the Consolidated Financial Statements. (See Note 7 to the Consolidated Financial Statements for additional discussion of guarantees for PCR debt provided by The Ivy Group).

Other:

At December 31, 2003, commitments for capital expenditures for leasing equipment totaled approximately $105,275, with approximately $42,266 committed for 2004. Approximately $21,001 per year is committed for years 2005, 2006, and 2007, respectively.

The Company is engaged in various legal proceedings from time to time incidental to the conduct of its business. Such proceedings may relate to claims arising out of chassis accidents that occur from time to time which involve death and injury to persons and damage to property. Accordingly, the Company requires all of its lessees to indemnify the Company against any losses arising out of such accidents while the chassis are on-hire to the lessees. In addition, lessees are generally required to maintain a minimum of $2,000 in general liability insurance coverage which is standard in the industry. In addition, the Company maintains a back-up general liability policy of $200,000 in the event that the above lessee coverage is insufficient. While the Company believes that such coverage should be adequate to cover current claims, there can be no guarantee that future claims will never exceed such amounts. Nevertheless, the Company believes that no current or potential claims of which it is aware will have a material adverse effect on its financial condition or results of operations and that the Company is adequately insured against such claims.

For further discussion regarding the Stockholder litigation, see "Stockholder Litigation" in Note 18 to the Consolidated Financial Statements.

(10) Cash flow information:

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

For the years ended December 31, 2003, 2002 and 2001, cash paid for interest was approximately $105,272, $108,886 and $102,881, respectively. Cash paid for income taxes was approximately $2,175, $3,249 and $2,719, respectively.

(11) Related party transactions:

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

In January 1992 the Company executed a Consultation Services Agreement with Radcliff Group, Inc. pursuant to which Radcliff designated Warren L. Serenbetz, a stockholder and director, as an executive consultant. The Consultation Services Agreement was terminated in January 1995. Under the terms of the agreement compensation continued through December 2002 and payment of health related costs will continue through December 31, 2007. The final payment under the terms of the Consultation Services Agreement was made in January 2003. Compensation under this agreement was $492 in both 2002 and 2001.

Eurochassis L.P., a New Jersey limited partnership in which Raoul J. Witteveen, our former President and Chief Operating Officer, is one of the limited partners and the general partner, leases 100 chassis to Trac Lease, a subsidiary of Interpool. Annual lease expense amounted to approximately $91 for each of the years ended December 31, 2003, 2002 and 2001. The annual lease term renews automatically unless canceled or renewed under renegotiated lease rate terms by either party prior to the first day of the renewal period. The members of the Board of Directors have unanimously determined that the terms of all arrangements between Eurochassis L.P. and Trac Lease are beneficial and fair to the Company.

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

Chassis Holdings I, LLC

The Ivy Group, which is a New Jersey general partnership composed directly or indirectly of Martin Tuchman, Radcliff Group, Inc., Raoul J. Witteveen, Thomas P. Birnie and Graham K. Owen, has previously leased chassis to Trac Lease, Inc. ("Trac Lease"). As of December 31, 2000, pursuant to various equipment lease agreements, Trac Lease leased 6,047 chassis from The Ivy Group and its principals for an aggregate annual lease payment of approximately $2,900. On January 1, 2001, the various leases for the 6,047 units were combined into a single lease pursuant to which The Ivy Group and its principals were paid an aggregate lease payment of $2,691 through June 30, 2001. On July 1, 2001, the Company restructured its relationship with The Ivy Group and its principals to provide the Company with managerial control over 6,047 chassis previously leased by Trac Lease, a wholly owned subsidiary of the Company, from The Ivy Group. As a result of the restructuring, the partners of The Ivy Group contributed these 6,047 chassis and certain other assets and liabilities to a newly formed subsidiary, Chassis Holdings I LLC ("Chassis Holdings"), in exchange for $26,000 face value of preferred membership units and 10% of the common membership units, and Trac Lease contributed 902 chassis and $2 in cash to Chassis Holdings in exchange for $3,000 face value of preferred membership units and 90% of the common membership units. The preferred membership units are entitled to receive a preferred return prior to the receipt of any distributions by the holders of the common membership units. The value of the contributed chassis was determined by taking the arithmetic average of the results of independent appraisals performed by three nationally recognized appraisal firms in connection with the Company s establishment of a chassis securitization facility in July 2000. As the managing member of Chassis Holdings, Trac Lease exercises sole managerial control over the entity s operations. Chassis Holdings leases all of its chassis to Trac Lease at a rental rate equal to the then current Trac Lease fleet average per diem. Chassis Holdings and the holders of the preferred membership units are party to a Put/Call Agreement which provides that the holders of preferred units may put such units to Chassis Holdings under certain circumstances and Chassis Holdings may redeem such units under certain circumstances. Chassis Holdings will be required to make certain option payments to the holders of the preferred membership units in order to preserve its right to redeem such units.

Based on 90% common unit ownership held by Trac Lease, the Company s Consolidated Financial Statements include the accounts of Chassis Holdings. The Ivy Group s interest in the common and preferred units of Chassis Holdings of approximately $26,326 is classified as minority interest in equity of subsidiaries in the accompanying Consolidated Balance Sheets. Dividends paid on the common units and distributions on the preferred units totaling $2,906, $3,120 and $1,651 for the years ended December 31, 2003, 2002 and 2001, are included in minority interest (income)/expense, net in the accompanying Consolidated Statements of Income.

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

PCR Transactions

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

In connection with the sale of PCR in December 2001, Martin Tuchman and Raoul Witteveen agreed in March 2002 to guarantee this line of credit between PCR and Yardville National Bank which had been reduced to $3,000 and the Company was released from a guarantee it had previously executed. This guarantee was subsequently paid off through advances made to PCR by The Ivy Group. PCR s line of credit with Yardville National Bank was reduced to $1,656 in March 2002 and later increased to $2,000 in September 2002. Advances amounting to $698 and $1,983 in 2003 and 2002, respectively, were made to PCR by The Ivy Group to pay off borrowings under the line of credit and to provide working capital. The Ivy Group is a partnership controlled by certain current and former officers and directors of the Company. The advances made by The Ivy Group to PCR are considered capital contributions to the Company and payments by the Company to PCR. The payments to PCR have been determined to be uncollectible and have been expensed by the Company and included in other (income)/expense, net. Payments made in 2002 amounting to $1,983 were included in additional paid in capital. The remaining payments made in 2003 of $698 were included in accounts payable and accrued expenses at December 31, 2002 and were reclassified to additional paid in capital during 2003 when the payments were made.

Bank Loans

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

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

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

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

Fathom Co., LTD Agency Fees

The Company paid Fathom Co., LTD ("Fathom"), its local representative in Taiwan, $116 for each of the years ended December 31, 2003, 2002 and 2001 to represent the Company with the Taiwan depots that store and repair damaged containers and to provide customer support. Fathom is owned by a Regional Vice President of Interpool Limited (who is not an executive officer of the Company) and members of his family. Management has determined that the fee for these services between Fathom and Interpool Limited are beneficial and fair to the Company.

Summary of Related Party Transactions

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

	2003	2002	2001
Revenue	$---	$---	$496
Lease operating expense	$2,997	$3,234	$4,343
Administrative expense	$157	$857	$1,495
Other (income)/expense, net	$---	$2,763	$---
Interest expense	$540	$40	$452

(12) Relationship with CAI:

The Company holds a 50% common equity interest in CAI, which it acquired in April 1998. CAI owns and leases its own fleet of containers and manages, for a fee, containers owned by the Company and third parties. The Company entered into its operating relationship with CAI primarily to facilitate the rental in the short-term market of containers coming off long-term lease, to gain access to new companies looking to lease containers on a long term basis and to realize cost efficiencies from the operation of a coordinated container lease marketing group. The marketing group, which is organized as a wholly-owned subsidiary of the Company, is responsible for soliciting container lease business for both the Company and CAI, including long-term and direct finance lease business and short-term lease business on master lease agreements. The Company s agreement with CAI provides that all long-term and direct finance lease business will be purchased by the Company, subject to the Company offering to CAI, at cost, 10% of this long-term and direct finance lease business. By mutual agreement, CAI has purchased for its own account long-term and direct finance lease business in excess of such amounts. During 2003, CAI sold containers to Interpool in the amount of $5,890 and recorded a gain on these sales of $557. During 2002, CAI sold containers to Interpool in the amount of $38,705 and recorded a gain on these sales of $5,102. These gains have been eliminated from the accompanying Consolidated Financial Statements.

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

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

On June 27, 2002, CAI entered into an amended $110,000 senior revolving credit agreement with a group of financial institutions. To facilitate the closing of this new credit facility, the Company agreed to extend the repayment terms of its Note so as to require mandatory quarterly principal payments of $1,683 beginning July 30, 2006 through April 30, 2011 and modified certain financial covenants in the Note. Interest on the Note continues to accrue at an annual fixed rate of 10.5% and is payable quarterly. The Note continues to be cross-defaulted with CAI s senior credit agreement, subject to the terms of an amended and restated subordination agreement. At the same time, the Company was granted the right to appoint a majority of CAI s board of directors. As a result of these transactions and gaining a majority position on CAI s board, the Company s financial statements include CAI as a consolidated subsidiary commencing June 27, 2002. Previously, CAI was accounted for under the equity method of accounting. The Company s share of the equity losses of CAI for the periods from January 1, 2001 through June 26, 2002 have been recorded in losses for investments accounted for under the equity method in the accompanying Consolidated Statements of Income. For the period from June 27, 2002 through December 31, 2003, CAI s results of operations have been included in the appropriate captions on the accompanying Consolidated Statements of Income. The assets and liabilities of CAI at December 31, 2003 and 2002, after elimination of intercompany transactions, have been included on the accompanying Consolidated Balance Sheets.

A total of $87,000 and $74,000 was outstanding under CAI s senior revolving credit facility at December 31, 2003 and 2002, respectively. Borrowings under CAI s senior credit facility are secured by substantially all of CAI s assets, other than certain excluded assets, and are payable on June 27, 2005. The senior credit facility contains various financial and other covenants. At December 31, 2003 CAI was in compliance with these covenants.

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

In addition, CAI has entered into sale-leaseback transactions with third parties pursuant to which CAI sells maritime shipping containers to such third parties and then leases the shipping containers back from such third parties. In connection with such transactions, CAI has entered into the following lease agreements:

CAI entered into a master lease agreement dated April 30, 1998, as amended, which amends and restates a prior agreement dated July 17, 1996, pursuant to which CAI currently leases shipping containers from a banking corporation. The master lease agreement has an expiration date of July 31, 2008. CAI is required to make regular payments to lessor and, as of December 31, 2003 and 2002, CAI s total outstanding obligation under this lease agreement was approximately $13,808 and $23,200, respectively. CAI has the option to purchase the leased equipment on a date prior to the expiration of the initial term of the lease agreement or at the time of such expiration. In addition, upon the expiration of the initial term of the lease agreement, CAI has the right to extend the lease agreement for one year or return the leased equipment to the lessor under the terms and conditions set forth in the lease agreement. This lease agreement was amended in 2002 to include certain additional negative covenants and financial covenants of CAI. The lease agreement was amended in May 2003 to provide for a rent prepayment under the lease agreement in the approximate amount of $3,750 to the lessor.

CAI entered into a master lease agreement dated April 30, 1998, as amended, which amends and restates a prior agreement dated November 21, 1996, pursuant to which CAI currently leases shipping containers from a banking corporation. The master lease agreement has a term of ten years. CAI is required to make regular payments to lessor and, as of December 31, 2003 and 2002, CAI s total outstanding obligation under this lease agreement was approximately $4,652 and $5,600, respectively. CAI has the option to purchase the leased equipment on a date prior to the expiration of the initial term of the lease agreement or at the time of such expiration. In addition, upon the expiration of the initial term of the lease agreement, CAI has the right to extend the lease agreement for one year or return the leased equipment to the lessor under the terms and conditions set forth in the lease agreement. This lease agreement was amended in 2002 to include certain additional negative covenants and financial covenants of CAI.

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

During 2003, 2002, and 2001, Interpool paid CAI $1,774, $2,189 and $1,692 respectively for the management of its equipment.

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

In April 2004, the Company reached an agreement with CAI resolving differences in interpretation of the Operating and Administration Agreement (the "CAI Agreement") provisions governing payment of appropriate remedial compensation when an age disparity develops between the Company s containers managed by CAI and the balance of CAI s managed fleet. For further information regarding the CAI Agreement, see Note 18 to the Consolidated Financial Statements.

(13) Retirement plans:

Certain subsidiaries have defined contribution plans covering substantially all full-time employees. Participating employees may make contributions to the plan, through payroll deductions. Matching contributions are made by the Company equal to 75% of the employee s contribution to the extent such employee contribution did not exceed 6% of their compensation. During the years ended December 31, 2003, 2002 and 2001, the Company expensed approximately $454, $423 and $461, respectively, related to this plan.

(14) Segment and geographic data:

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

The computer leasing segment consisted of two subsidiaries, Microtech Leasing Corporation ("Microtech") and Personal Computer Rentals ("PCR"). During the third quarter of 2001, the Company adopted a plan to exit this segment. As of December 31, 2002 the assets of Microtech continued to be liquidated and PCR s financial condition had deteriorated. PCR ceased active operations and liquidated in 2003. (See Note 7 to the Consolidated Financial Statements.) As of December 31, 2003, the Company was continuing to liquidate the assets of Microtech. For the year ended December 31, 2002, expenses related to the liquidation of PCR are included in the Domestic Intermodal Equipment segment.

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

The accounting policies of the segments are the same as those described in Note 1. The Company evaluates performance based on profit or loss before income taxes. The Company s reportable segments are strategic business units that offer different products and services.

<u>Segment Information</u>:

2003	Container Leasing	Domestic Intermodal Equipment	Computer Leasing Equipment	T
Equipment leasing revenue	$175,131	$198,552	$604	$3
Other revenue	11,838	15,987	---	
Lease operating, administrative and other expenses	55,566	109,550	(285)	1
Depreciation and amortization	59,365	32,188	---	
Other (income)/expense, net and minority interest	(5,085)	1,745	171	
Losses for investment under equity method	---	1,698	---	
Interest income	(2,636)	(1,318)	(6)	
Interest expense	33,202	73,485	1	1
Income/(loss) before income taxes	46,557	(2,809)	723	
Net investment in DFL's	330,090	96,716	9	4
Leasing equipment, net	747,377	889,339	---	1,6
Equipment purchases and investment in DFL's	250,404	56,563	---	3
Total segment assets	$1,210,635	$1,162,357	$44	$2,3

2002	Container Leasing	Domestic Intermodal Equipment	Computer Leasing Equipment	To
Equipment leasing revenue	$138,276	$185,283	$1,521	$325
Other revenue	8,094	11,761	---	19
Lease operating, administrative and other expenses	40,633	92,395	2,087	135
Depreciation and amortization	55,757	37,703	78	93
Other (income)/expense, net and minority interest	(3,052)	4,579	1,450	2
Losses for investment under equity method	---	6,603	---	6
Interest income	(2,243)	(2,395)	---	(4

Interest expense	27,182	81,016	146	108
Income/(loss) before income taxes	28,093	(22,857)	(2,240)	2
Net investment in DFL's	245,414	89,254	(539)	334
Leasing equipment, net	676,914	880,725	---	1,557
Equipment purchases and investment in DFL's	85,585	170,342	99	256
Total segment assets	$1,075,145	$1,163,404	$3,395	$2,241

2001	Container Leasing	Domestic Intermodal Equipment	Computer Leasing Equipment	T
Equipment leasing revenue	$111,362	$191,987	$35,369	$33
Other revenue	4,914	9,759	---	1
Lease operating, administrative and other expenses	32,931	95,797	32,083	16
Depreciation and amortization	34,999	37,997	6,682	7
Other (income)/expense, net and minority interest	(5,351)	(4,501)	(385)	(1
Losses for investment under the equity method	--	804	--	
Interest income	(3,789)	(5,650)	--	(
Interest expense	28,025	68,465	1,780	9
Income/(loss) before income taxes	29,461	8,834	(4,791)	3

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

Geographic Information:

EQUIPMENT LEASING REVENUE:	**2003**	**2002**	**2001**
United States (a)	$236,126	$205,923	$227,419
International	138,161	119,157	111,299
	$374,287	$325,080	$338,718
ASSETS:			
United States	$1,354,921	$1,341,507	
International	1,018,115	900,437	
	$2,373,036	$2,241,944	

(a) Includes revenues from related parties of $0, $0, and $496 in 2003, 2002 and 2001, respectively.

(15) Company-obligated mandatorily redeemable preferred securities in subsidiary grantor trusts:

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

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

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity* ("SFAS 150"). The adoption of SFAS 150 required the Company to display the Company-obligated mandatorily redeemable preferred securities in subsidiary grantor trusts within the liability section of the Consolidated Balance Sheet.

(16) Capital stock:

The Company s 1993 Stock Option Plan for Executive Officers and Directors (the "Stock Option Plan") was adopted by the Company s Board of Directors and approved by the stockholders in March 1993. A total of 6 million shares of common stock have been reserved for issuance under the Stock Option Plan. Options may be granted under the Stock Option Plan to executive officers and directors of the Company or a subsidiary (including any executive consultant of the Company and its subsidiaries), whether or not they are employees. These options vest six months from date of grant and expire ten years from date of grant.

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

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

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

In connection with the resignation of Raoul Witteveen, the Company entered into a separation agreement that allows for Mr. Witteveen s outstanding stock options, all of which were fully vested as of the date of his resignation, to be exercisable until October 9, 2005. Mr. Witteveen s future sale of common stock will be subject to certain volume restrictions and a right of first refusal on the part of the Company and its affiliates.

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

As of December 31, 2003, there were 1,559,999 shares of common stock reserved for issuance under the stock option plans. No options may be granted under the Capital Stock Option Plan more than ten years after the adoption of the Stock Option Plan, which expired in March 2003.

Changes during 2003, 2002 and 2001 in options outstanding for the combined plans were as follows:

	2003		2002		2001	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Wei ave exerci
Outstanding at January 1,	4,539,001	$10.30	4,489,001	$10.30	4,489,001	
Granted	---	---	50,000	13.73	---	
Exercised	22,500	15.58	---	---	---	
Outstanding at December 31,	4,516,501	$10.31	4,539,001	$10.34	4,489,001	
Exercisable at December 31,	4,466,501	$10.29	4,384,001	$10.27	4,379,001	

The following table summarizes information regarding stock options outstanding at December 31, 2003.

	Options Outstanding			Options Exerci	
Exercise Prices	Number Outstanding December 31,	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Outstanding December 31,	We E
$6.375	15,000	6.2	$6.375	15,000	

10.25	4,351,501	4.2	10.25	4,351,501
11.9375	100,000	6.8	11.9375	50,000
13.73	50,000	8.7	13.73	50,000
$6.375-13.73	4,516,501	4.3	$10.31	4,466,501

Common stock dividends declared and unpaid at December 31, 2003 and 2002 amounted to $2,516 and $2,101, respectively, and are included in accounts payable and accrued expenses in the accompanying Consolidated Balance Sheet.

Deferred Bonus Plan

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

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

Additional stock is awarded based on the vesting period selected by the employee. If the five year vesting period is selected, the shares awarded will be increased by 10%. If the ten year vesting period is selected the shares awarded will be increased by 30%. Under the Plan, each employee granted a bonus stock award has a right from time to time to require the Company to purchase a total number of shares of stock equal to the number of shares of stock underlying the Participant's Bonus Stock Award. The shares may be vested shares or shares which were otherwise acquired by the participant providing that all shares were beneficially owned by the participant for at least 6 months. The purchase price shall be equal to the fair market value of a share of stock on the trading day preceding the date of such purchase. On January 2, 2003, under this Plan, the Company granted to eligible employees 139,067 shares of restricted stock that had a fair value of $16.83 per share at the grant date. At the date of grant, $2,342 of deferred compensation was credited to paid in capital with an offset to unamortized deferred compensation-stock grant in the equity section of the Consolidated Balance Sheet. Compensation costs is recognized ratably over the vesting periods during which the related employee service is rendered. During the fourth quarter 2003, in accordance with the terms of the separation agreement with the Company's previous President and Chief Operating Officer, 60,407 unvested shares with a value of $1,018 were forfeited. This forfeiture resulted in the reversal of $1,018 of previously recorded unamortized deferred compensation, as well as the reversal of previously recorded compensation expense of $102. For the year ended December 31, 2003 compensation expense was $140 and 60,407 shares with a value of $1,018 lapsed. The unamortized deferred compensation remaining in stockholders equity was $1,184 at December 31, 2003.

For information regarding the bonus stock awards granted under this Deferred Bonus Plan in January 2004, see Note 18 to the Consolidated Financial Statements.

Share Repurchases

In 1999, the Company authorized the repurchase of up to 1,000,000 shares of its common stock. The shares will be purchased from time to time through open market purchases or privately negotiated transactions. During 2002, the Company purchased 9,300 shares for an aggregate purchase price of $130. During 2001, the Company purchased 58,100 shares for an aggregate purchase price of $929. No shares were repurchased in 2003.

(17) Gain on Sale of Land:

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

(18) Subsequent Events:

Settled Insurance Litigation

In connection with an insurance claim related to the default of a South Korean customer and a subsequent lawsuit filed by the insurance carriers against the Company, on June 17, 2004 the Company signed an agreement settling the lawsuit and our claims under the policy. Under the terms of the settlement agreement, the insurance carriers paid the Company $26,400 in June and July 2004.

July 2004 Protocol to the United States and Barbados Tax Treaty

Interpool Limited currently claims treaty benefits under the United States and Barbados income tax treaty ("Treaty"). The Treaty contains a limitation on benefits provision which denies treaty benefits under certain circumstances. However, Interpool Limited currently does not fall within the Treaty's limitation on benefits provision.

On July 14, 2004, the United States and Barbados signed a protocol to the Treaty ("Protocol") that contains a more restrictive limitation on benefits provision than the current Treaty does. If ratified, the Protocol might result in Interpool Limited losing its ability to rely on the Treaty to eliminate current U.S. income tax on its container rental and container sales income. This Protocol will not take effect until it is ratified by the United States Senate and the government of Barbados. It is currently uncertain whether the Senate will take action before it adjourns later in 2004. The Protocol is generally effective for taxable years commencing on or after the first of January in the year following the year the Protocol is ratified.

Under the Protocol, Interpool Limited would only be eligible for Treaty benefits with respect to its container rental and sales income if, among other things, Interpool, Inc. is listed on a "recognized stock exchange" (generally, the NASDAQ system or an SEC registered exchange such as the New York Stock Exchange), and Interpool, Inc.'s stock is "primarily" and "regularly" traded on such exchange.

As described elsewhere in this report, our common stock is currently not listed on a "recognized stock exchange" within the meaning of the Protocol. Management anticipates that Interpool, Inc. will examine all of its options with regard to listing on a "recognized stock exchange" and anticipates applying for a listing as soon as it is current with its SEC filings. However, even if Interpool, Inc. is listed on a "recognized stock exchange" as of the date the Protocol comes into effect, it is not clear whether Interpool, Inc. would satisfy the "primarily" and "regularly" traded requirement as defined within the Protocol. If Interpool Inc. does not believe that it can satisfy this requirement, it will investigate alternatives to Interpool Limited being a resident in Barbados that will still entitle Interpool Limited to treaty benefits under another tax treaty with the U.S. Any such alternative would likely result in Interpool Limited being subject to a higher non-U.S. tax than the approximate 3% tax rate it currently enjoys in Barbados.

Financing Activities

The Company funds a significant portion of the purchase price for new containers and chassis through borrowings under its revolving credit agreement and other lines of credit or through secured financings with financial institutions. The Company successfully completed secured financings of approximately $81,600 during March 2004, and $14,600 during May 2004, the proceeds of which were used to pay amounts due to equipment manufacturers and for general corporate purposes. The Company is currently evaluating a number of secured financing proposals, the proceeds of which would be used to acquire new equipment, to re-finance existing facilities and for general corporate purposes.

A financing facility entered into in March 2004 contains more stringent covenants than those that existed under debt agreements at December 31, 2003, including a requirement that the Company maintains a tangible net worth of at least $300,000. The Company will seek to eliminate these more stringent covenants by refinancing this facility during the second half of 2004.

During July 2004, the Company completed a secured financing in the amount of $15,000, of which $5,000 was used to satisfy a note payable from PCR to an unrelated financial institution which was guaranteed by the Company for PCR. As disclosed in Notes 7 and 9 to the Consolidated Financial Statements, this guarantee was accrued by the Company during 2002 and is recorded in accounts payable and accrued expenses on the accompanying Consolidated Balance Sheets at December 31, 2003 and 2002. The remaining $10,000 will be used for general corporate purposes, including the acquisition of new equipment. The term of this loan is six months with the principal amount due and payable in one lump sum on January 31, 2005. This is a bridge loan with the Company's intent to roll this loan into a larger revolving facility at a later date. Interest is payable monthly at a floating rate of 1% per annum plus the prime rate with the right to elect 2.5% per annum plus LIBOR for a specified contract period and amount. Interest is payable every three months if the Company elects the interest charge at 2.5% per annum plus LIBOR.

Debt Modifications and Waivers

During January and February 2004, in conjunction with obtaining amendments to its revolving credit facility due to the late filing of the Company's periodic reports with the SEC, the interest rate on the facility was increased and the Company became obligated, among other things, to make amortization payments under the revolving credit facility beginning in March 2004. The related minimum cash requirement (as described more fully in Note 4 to the Consolidated Financial Statements) was subsequently reduced dollar-for-dollar with the amortization payments and, as of July 31, 2004, amounts to $50,000. Beginning with the amortization payment due on September 1, 2004, the minimum cash requirement will again be reduced dollar-for-dollar as amortization payments are made. The minimum cash balance requirement will be eliminated once the Company is current with its delayed financial filings.

The Company also agreed to specific reporting requirements to holders of certain other indebtedness in connection with obtaining necessary waivers from such holders during January and February, 2004, due to the late filing of its SEC reports.

During February 2004, the Company provided its lenders with a revised schedule for completing and submitting all of its financial statements and periodic SEC filings for the years 2003 and 2004, and requested that the lenders waive any non-compliance with the reporting requirements contained in the loan documents and debt instruments relating to these statements and filings until the respective dates included in the revised schedule. The revised dates provided by the Company and agreed by its lenders, are:

Statement	Revised Completion Date
2003 - 10-K	On or before August 31, 2004
2004 - First Quarter 10-Q	On or before December 31, 2004
2004 - Second Quarter 10-Q	On or before December 31, 2004

2004 - Third Quarter 10-Q	On or before December 31, 2004

The Company has received waivers from all of its lenders agreeing to the dates above. (See Ongoing Debt Waivers section below for further discussion).

Rating Agency Downgrades

On January 27, 2004, Moody s downgraded the Company s debt securities citing continued uncertainty associated with the delayed release of the Company s financial information for 2003. The Company has been advised that Moody s also reduced the "shadow rating" of the Company s chassis securitization. The Company has been advised by the participants in this securitization that they will waive any early amortization event or default associated with the downgrade of the "shadow rating" on a periodic basis, and such participants have given such a waiver through January 1, 2005. The Company has been advised by the provider of the insurance "wrap" portion of the chassis securitization that, as a result of the downgrade of the shadow rating, it is liable to indemnify such provider for certain of its increased capital charge costs, which the Company has estimated at approximately $590 per month beginning June 20, 2004 and continuing until it is notified by the wrap provider that its "shadow rating" has improved sufficiently. The additional cost per month will be reduced on a pro-rata basis as the outstanding obligations are repaid. The Company disputed whether any such indemnification obligation exists under the terms of its agreement with the "wrap" provider. This matter is currently under negotiation. There can be no assurance that the Company will prevail in this matter, nor can we estimate the likelihood or timing of any potential future shadow rating upgrade. There also can be no assurance that the waiver described above will continue to be granted or extended. Should such waiver not be granted or extended beyond January 1, 2005, the unfavorable impact on the Company s near-term liquidity would likely be significant. Such downgrades may also have a negative effect on the Company s ability to access the capital markets in the future, as well as on the Company s interest cost. During July 2004, Fitch Ratings affirmed the Company s ratings, removed the Company from rating watch negative status, and changed their rating outlook for the Company to positive.(See Ongoing Debt Waivers section below for further discussion.)

Delisting by the New York Stock Exchange

On December 29, 2003, the New York Stock Exchange ("the Exchange") suspended trading in the Company s common stock and other listed securities and the staff of the Exchange informed the Company that they had recommended that delisting procedures be commenced. The Exchange stated that this action was taken because of the overall uncertainty surrounding the Company s previously announced restatement of its 2001 and 2000 results and the continued delay in the completion of its current financial statement filing requirements. The Company s 2002 Form 10-K, which reflected the restated results, was subsequently filed on January 9, 2004. The Company appealed the decision and recommendation of the staff of the Exchange, and a hearing before a Committee of the Board of Directors of the Exchange was held March 10, 2004. Following this hearing, the Committee determined to affirm the staff s recommendation and to delist the Company s common stock and other listed securities. The delisting became effective during early April 2004. The Company intends to examine all of its options with regard to listing, and anticipates re-applying for a listing on the Exchange once it is current with its SEC filings. Since the suspension of trading on the Exchange took effect on December 29, 2003, the Company s common stock has been traded on the over-the-counter market under the symbol IPLI.

Stockholder Litigation

In February and March 2004, several lawsuits were filed in the United States District Court for the District of New Jersey, by purchasers of the Company s common stock naming the Company and certain of its present and former executive officers and directors as defendants. The complaints alleged violations of the federal securities laws relating to the Company s reported Consolidated Financial Statements for the years ended December 31, 2000 and 2001 and the nine months ended September 30, 2002, which the Company announced in March 2003 would require restatement.

Each of the complaints purported to be a class action brought on behalf of persons who purchased the Company s securities during a specified period. The lawsuits which seek unspecified amounts of compensatory damages and costs and expenses, including legal fees have been consolidated in a single action with lead plaintiffs and lead counsel being appointed. The Company intends to vigorously defend these lawsuits but is unable at this time to ascertain the impact these lawsuits may have on our financial position or results of operations.

Ongoing Debt Waivers

As described in the Debt Modifications and Waivers and Rating Agency Downgrades sections above, the Company may be required to obtain additional waivers in the future. In the event that (i) any such required waiver could not be obtained before the applicable deadline; or (ii) any of the Company s existing waivers ceased to be effective in accordance with their terms based upon future developments, the Company might be in violation of the terms of its indebtedness, and the lenders could exercise their right to declare the Company in default, accelerate the indebtedness owed to such lenders, and take other action against the Company. Moreover, the taking of such action, or the possibility that such action could be taken, could cause one or more of the Company s other financial institutions to take action against the Company, such as declaring the Company in default, accelerating the indebtedness owed to such lender, and/or attempting to exercise rights as a secured creditor with respect to any collateral. In addition, several of the waivers the Company has obtained are contingent upon certain events, including but not limited to (1) a determination by the applicable lenders that the changes resulting from the Company s financial restatement to its historical financial statements for 2001 and 2000 and the first nine months of 2002 did not represent a material adverse change to the Company s financial condition for these periods as originally reported; or (2) that the delisting of the Company s common stock and other listed securities from the Exchange did not represent a material adverse change in the Company s ability to act as servicer for certain financings. The one lender for whom continued listing of the Company s common stock on the Exchange was required to avoid an event of default eliminated that requirement during early March 2004. While the restatement was necessary, the Company believes that its revised financial statements did not represent such a material change. The Company also believes that the delisting of its securities by the Exchange does not affect its ability to perform as servicer for the financings in question. Further, none of the Company s lenders has taken any action to indicate that they believe a material adverse change has occurred. If either of these circumstances were to occur the Company could be deemed to be in default under the terms of its indebtedness, in which event, the Company might not be able to meet its obligations to its lenders or other creditors and might not be able to prevent such parties from taking actions that could jeopardize the Company s ability to continue to operate its business.

Employment Agreements

In July 2004, the Company entered into Employment Agreements with certain executive officers with various expiration dates up to 28 months. Under the terms of the Employment Agreements, each Executive is paid a base salary, a target bonus, participates in fringe benefit programs and may receive additional bonuses at the sole discretion of the Compensation Committee. The minimum obligation related to these agreements is approximately $2,606. In addition, the Employment Agreements obligate the Company to pay severance payments in the event of termination or change of control and include non-compete clauses.

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

Agreement with CAI

In April 2004, the Company reached an agreement with CAI resolving differences in interpretation of the CAI Agreement provisions governing payment of appropriate remedial compensation when an age disparity develops between the Company s containers managed by CAI and the balance of CAI s managed fleet. Pursuant to its agreement with CAI, the Company agreed to pay CAI $2,000 for resolution of all disputes through February 29, 2004. The impact of this agreement, which will be recorded by the Company during the three months ended March 31, 2004, will be a reduction in consolidated pre-tax income of $1,000 ($600 net of tax). The Company and CAI are currently in negotiations to simplify the terms of the portion of the CAI Agreement governing age parity adjustments.

Deferral of Dividend Payment to Board Members

In connection with the Company s delayed SEC filings and the receipt of waivers from its lenders necessitated by the delayed filings beginning in January 2004, the members of the Company s Board of Directors and certain of its affiliates who own shares of the Company s common stock have agreed to defer their receipt of any dividend payments, including those the Company may declare in the future, until the Company is in compliance with all SEC filings requirements. As of July 15, 2004, recorded dividend payments in the amount of $2,616 have been deferred.

Other

On January 2, 2004, under the Deferred Bonus Plan as detailed in Note 16 to the Consolidated Financial Statements, the Company granted to eligible employees 27,259 shares of restricted stock of which 7,303 vest over a five-year period and 19,956 vest over a ten-year period. The restricted stock had a fair value of $13.60 per share at the grant date for a total value of $371.

(19) Quarterly financial data (unaudited)

Restatement of previously reported quarterly results

During its 2003 year-end closing procedures, the Company identified a number of previously undetected flaws with the systems (both manual and computer based) used to account for certain transactions.

The most significant of these was the handling of amounts billed to customers at the end of an operating lease when the customer has damaged the Company s equipment. These amounts are not recorded in revenue when invoiced; rather, they are used to establish a liability to cover the repair of the equipment. In many cases, these liabilities were not being properly reversed when payment was made for the repaired equipment. In addition, in some cases, the liability was not being properly reversed when the equipment was sold or remanufactured.

The Company has a program of remanufacturing chassis when they near the end of their useful life or if the equipment is impaired in its present condition. In certain cases, the impairment of these chassis was not recognized on a timely basis.

Finally, as noted in the Company s Form 10-K for the year ended December 31, 2002, the system used to account for direct financing leases was inadequate in providing the necessary data for the amortization of the leases and the recognition of revenue. As a result, the Company continued to perform manual calculations for all financing leases until the new finance lease system can be implemented. A number of these manual calculations were performed incorrectly during the year ended December 31, 2003. The Company has purchased and is in the process of implementing its new finance lease system to handle the accounting for these leases.

The Company has determined that the effect of these previously undetected flaws on years ended prior to January 1, 2003 is immaterial. The Company has restated its Consolidated Financial Statements to reflect these changes for the quarters ended March 31, 2003, June 30, 2003, and September 30, 2003 and has reflected the impact of these adjustments on the previously reported quarterly results below:

	2003 As Restated			
	1st	2nd	3rd	4th
Equipment leasing revenue	$89,868	$91,549	$95,119	$97,751
Net income	$11,769	$12,336	$6,546	$10,539
Basic income per share	$0.43	$0.45	$0.24	$0.38
Diluted income per share	$0.41	$0.42	$0.23	$0.36

	2003 As Reported		
	1st	2nd	3rd
Equipment leasing revenue	$89,070	$91,319	$94,887
Net income	$10,876	$11,172	$6,117
Basic income per share	$0.40	$0.41	$0.22
Diluted income per share	$0.38	$0.38	$0.21

	2002			
	1st	2nd	3rd	4th(a)
Equipment leasing revenue	$74,483	$75,598	$86,028	$88,971
Net income/(loss)	$6,190	$4,265	$3,032	$(9,098)
Basic income/(loss) per share	$0.23	$0.16	$0.11	$(0.33)
Diluted income/(loss) per share	$0.21	$0.14	$0.10	$(0.32)

	2001			
	1st	2nd	3rd	4th(a)
Equipment leasing revenue	$88,311	$85,315	$82,337	$82,755
Net income	$10,354	$9,879	$2,939	$4,932
Basic income per share	$0.38	$0.36	$0.11	$0.18
Diluted income per share	$0.36	$0.34	$0.10	$0.17

(a) The net (loss) during the fourth quarter of 2002 was principally due to pre-tax impairment losses of $5,715 relating to idle equipment, $3,417 of pre-tax losses resulting from the Company's share of equity losses and write-downs for certain investments accounted for under the equity method and $9,678 of pre-tax losses recognized as a result of the deteriorating financial condition of PCR.

ITEM 9A. CONTROLS AND PROCEDURES

The effectiveness of our or any systems of disclosure controls and procedures and internal controls is subject to certain limitations including the exercise of judgment in designing, implementing and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events, and the inability to eliminate misconduct completely. As a result, there can be no assurance that our disclosure controls and procedures and internal controls will prevent all errors or fraud or ensure that all material information will be made known to management in a timely fashion.

We, in conjunction with our independent auditors, KPMG, identified certain material weaknesses within our system of internal control. We noted that formal procedures were not in place that required management to properly communicate the terms of proposed transactions with internal and external technical accounting resources to make certain that transactions are accounted for in accordance with accounting principles generally accepted in the United States of America. In addition, we noted that we did not have an individual with the proper level of understanding to account for swap derivatives according to accounting principles generally accepted in the United States of America. In response to these weaknesses, we:

Initiated regular meetings of senior management, including the Chief Financial Officer and representatives of the Accounting Department, to discuss all new significant transactions in order to determine the proper accounting treatment under accounting principles generally accepted in the United States of America and

Retained the services of a consultant to assist in the proper documentation and accounting for swap derivative transactions.

In addition, our general counsel, who was not located in our executive offices in New York, N.Y. or Princeton, N.J., was not always informed about, and was inconsistently consulted regarding, factual and legal issues critical to our compliance with securities laws and accounting rules. We also concluded that we were late in responding to warning signs pointing to inadequate staffing and controls in our Accounting Department and inadequate information systems capabilities, even though members of our Audit Committee had repeatedly urged management to respond to these problems.

As a result, we, in connection with the preparation of our 2002 and 2003 financial statements, concluded that the following internal control deficiencies which were identified constituted "material weaknesses" or "significant deficiencies" as defined under the standards established by the American Institute of Certified Public Accountants:

Deficiencies related to the accounting for direct finance leases. We noted weaknesses in the technical accounting skills of certain employees involved in the classification of leases under the provisions of SFAS 13. In addition, we found that the system used to account for these leases was inadequate in providing the necessary data to the accounting department.

Deficiencies related to ineffective policies for complex transactions. We noted the weaknesses noted above in the accounting for swap derivative transactions and residual guarantees provided to certain financial institutions.

Deficiencies related to inadequate communication of complex transactions. We noted a lack of effective communication of complex transactions with both internal and external accounting resources that existed throughout this period.

Deficiencies related to the lack of adequate staffing within the accounting department. This resulted in incomplete account reconciliation and analysis.

Deficiencies related to accounting for income taxes. We noted that the accounting department did not have adequate knowledge of accounting principles generally accepted in the United States of America related to accounting for income taxes and did not perform periodic reviews of the carrying value of its deferred tax assets.

Deficiencies related to communication of information regarding related-party transactions. We noted that there were no formal procedures in place for gathering complete and accurate information about related-party transactions and for communicating such information to the parties responsible for disclosing it.

Deficiencies related to the security of information technology. We noted a need for the implementation of such security measures as comprehensive encryption procedures, documentation of standards for setting operating systems security parameters, and a disaster recovery plan.

Deficiencies related to accounting for inter-company eliminations. We noted a need to implement formal procedures for identifying necessary intercompany eliminations.

Deficiencies related to recordkeeping by various internal departments. We noted a need to improve certain verification and documentation procedures in our Contracts, Billing, Collections, and Credit Quality departments to improve the accuracy of the records kept by those departments.

Deficiencies related to accounting for amounts billed to customers at the end of an operating lease for damaged equipment. We noted a need to improve our manual and computer-based systems in order to properly account for billings to customers for damaged equipment and the related repair costs at the end of an operating lease.

Deficiencies related to recognition of impairment charges associated with the chassis remanufacturing program. We noted a need to recognize impairment charges on a more timely basis in order to properly distinguish between costs that should be capitalized and those that should be expensed.

In addition to the deficiencies mentioned above, we have identified other less significant deficiencies that we do not consider "material weaknesses" or "significant deficiencies" but which we nonetheless believe should be remedied.

We are continuing to review and evaluate our internal controls and procedures and may identify additional areas where corrective measures are advisable or required.

We have assigned the highest priority to the short and long-term correction of the internal control deficiencies that have been identified and are taking the steps necessary to strengthen our internal controls and to address their deficiencies. Among other things, we have taken and are taking the following remedial measures:

1. We have implemented new procedures relating to the communication of information between management and all levels of the Company, including our internal and external accountants, to ensure proper reporting and disclosure. These steps include regular meetings of a committee of senior management, known as the Office of the President, which generally includes a member of the Audit Committee, to discuss important topics such as new business, financing, accounting and personnel matters, and the formation of a Disclosure Committee to ensure that information required to be disclosed pursuant to SEC rules is made known to the appropriate individuals at the Company.

2. Our former general counsel, Arthur Burns has rejoined us as full time Executive Vice President and General Counsel residing in our New York office. Mr. Burns is a member of our Board of Directors.

3. An experienced financial and leasing executive, James Walsh, a former financial executive at GE Capital Corporation and General Electric Company, joined us during November, 2003, and was appointed Executive Vice President and Chief Financial Officer in early 2004.

4. We have hired eight additional accountants, and will continue to hire additional experienced personnel in the accounting department, and are planning additional training for our accounting staff. We have also hired an experienced tax professional who is also a certified public accountant to improve our skills base in that critical area.

5. We have added staff in several other areas, including insurance, accounts receivable, customer service and the legal department.

6. We have engaged J.H. Cohn, an independent accounting and consulting firm, as our internal auditors, and have been working closely with them to identify and correct weaknesses in our internal controls and procedures and to develop an accounting policies and procedures manual. Remedial actions are in process in all areas where such actions have been deemed necessary.

7. We are improving the quality of our file maintenance and record retention for completed transactions.

8. We are in the process of testing an upgrade to our accounting system for recording and tracking finance lease transactions, which we expect to have in place later in 2004. We have negotiated a contract for a disaster recovery hotsite facility, and are in the process of developing a formal disaster recovery plan. We are committed to upgrading and enhancing other aspects of our information systems, including encryption procedures and other security measures, as required.

9. Our Board of Directors appointed a corporate governance committee and has adopted and implemented a comprehensive set of corporate governance documentation, including a revised Board of Directors Charter, a revised Audit Committee Charter, a Code of Business Conduct and Ethics, a Whistleblower and Nonretaliation Policy, and a Disclosure Committee Charter.

10. We have designated an employee to communicate with all related parties on a quarterly basis to determine if new related party transactions have been completed. In addition, we are canvassing all employees on a regular basis in order to ensure that any new related party transactions are identified, reviewed, and reported where appropriate. We have also assigned a member of our accounting department having knowledge of the relevant disclosure standards the responsibility for monitoring transactions on an ongoing basis to identify any related party transactions.

11. We have implemented a procedure to review intercompany accounts on a regular basis to identify appropriate intercompany eliminations.

12. We have implemented additional manual controls to properly account for billings to customers for damage they cause to our equipment and the costs associated with these repairs. In addition, we are hiring additional personnel that will focus on the timely recognition of impairment related to chassis.

Management has discussed its action plan with the Audit Committee and will continue to provide periodic updates on progress made. As of the date of this filing, we are satisfied that actions implemented to date and those in progress will correct the material weaknesses in our internal controls and information systems and that our processes and systems of internal controls will be adequate. We note that, like other companies, management cannot provide absolute assurance that internal control weaknesses will not be identified from time to time in the future or that any such weaknesses would not materially affect our financial results.

We believe that these efforts have addressed the material weaknesses and significant deficiencies that have affected our internal controls in the past. We can give no assurances, however, that all material weaknesses and significant deficiencies have been entirely corrected. We continue to look for methods to improve our overall system of control.

We carried out an evaluation, under the supervision and with the participation of our management, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2003 pursuant to SEC Rules 13a-15 and 15d-15 under the Exchange Act. Our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that, due to the internal control deficiencies as described herein, as of the evaluation date, our disclosure controls and procedures were not effective to give reasonable assurance that information we must disclose in reports filed with the SEC is properly recorded, processed, and summarized, and then reported within the time periods specified in the rules and forms of the SEC. In light of the ineffectiveness of our disclosure controls and procedures as mentioned above, we performed additional analysis and other procedures to ensure that our consolidated financial statements included in our amended Annual Report on Form 10-K for the year ended December 31, 2003 have been prepared in accordance with U.S. generally accepted accounting principles.

Other than the internal control issues and corresponding corrective actions discussed above, our Chief Executive Officer and Chief Financial Officer have each confirmed that, since the date of the evaluation to the date of the filing of this our amended Form 10-K, there have been no significant changes in the disclosure controls and procedures or in other factors that could significantly affect such controls or procedures, including any corrective actions with regard to significant deficiencies and material weaknesses.

Our management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and procedures or internal controls will prevent all errors and all improper conduct. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of improper conduct, if any, within a company have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

ITEM 15. EXHIBITS AND REPORTS ON FORM 10-K/A

(a) Exhibits:

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTERPOOL, INC.
(Registrant)

June 6, 2005

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

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

June 6, 2005

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

June 6, 2005

By /s/ Warren L. Serenbetz, Jr.
Warren L. Serenbetz, Jr.
Director

June 6, 2005

By /s/ Arthur L. Burns
Arthur L. Burns
Executive Vice President, General Counsel
and Director

June 6, 2005

By /s/ Peter D. Halstead
Peter D. Halstead
Director

June 6, 2005

By /s/ Joseph J. Whalen
Joseph J. Whalen
Director

June 6, 2005

By /s/ Clifton H. W. Maloney
Clifton H. W. Maloney
Director

June 6, 2005

By /s/ James F. Walsh
James F. Walsh
Executive Vice President and Chief Financial
Officer

June 6, 2005

By /s/ Brian Tracey
Brian Tracey
Senior Vice President (Chief Accounting Officer)

June 6, 2005	By /s/ Michael S. Mathews Michael S. Mathews Director
June 6, 2005	By /s/ William J. Shea, Jr. William J. Shea, Jr. Director

INDEX TO EXHIBITS

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

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