

INTERPOOL INC
Form 10-Q
March 30, 2004

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

FORM 10-Q

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

For The Quarterly Period Ended June 30, 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)

Indicate by check /X/ 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 / / No /X/

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

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As of March 23, 2004, there were 27,378,846 shares of common stock, \$.001 par value outstanding.

INTERPOOL, INC. AND SUBSIDIARIES

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**PART I - FINANCIAL INFORMATION
INTERPOOL, INC. AND SUBSIDIARIES**

ITEM 1: FINANCIAL STATEMENTS

The Condensed Consolidated Financial Statements as of June 30, 2003 (unaudited) and December 31, 2002 and for the three and six months ended June 30, 2003 (unaudited) and 2002 (unaudited) (the Condensed Consolidated Financial Statements) of Interpool, Inc. and Subsidiaries (the Company or the Registrant) included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared

in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Registrant believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these Condensed Consolidated Financial Statements be read in conjunction with the financial statements and the notes thereto included in the Company's December 31, 2002 Annual Report on Form 10-K (the "2002 Form 10-K"). These Condensed Consolidated Financial Statements reflect, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the results for the interim periods. The results of operations for such interim periods are not necessarily indicative of the results for the full year.

As discussed in the Company's 2002 Form 10-K, the Company has restated its financial statements for the years ended December 31, 2000 and 2001 and the first three quarters of 2002. The Company concluded that this restatement would be necessary while preparing for its 2002 annual audit in March 2003, when the Company determined that several direct finance lease transactions with customers in 2001 and 2000 had been accounted for incorrectly in its prior financial statements. In addition, it also determined that the Company's former computer leasing segment, which had been classified as a discontinued operation in its financial statements for the first three quarters of 2002 and for 2001 and 2000, should have been classified as part of continuing operations because the requirements of discontinued operation accounting treatment were not satisfied. The Company subsequently identified additional items in its prior financial statements that also required restatement. The Company's financial statements for the years ended December 31, 2000, 2001 and 2002 included in its 2002 Form 10-K, which was filed with the Securities and Exchange Commission on January 9, 2004, give effect to this restatement. The 2002 Form 10-K contains a description of each of the adjustments resulting from the restatement and describes the aggregate impact of these adjustments on the Company's previously issued financial statements.

All financial information for the three and six months ended June 30, 2002 included in this Quarterly Report on Form 10-Q gives effect to the restatement.

In connection with the restatement, the Audit Committee of the Company's Board of Directors engaged as special counsel a law firm, which had not previously represented the Company, to conduct an internal investigation into the accounting errors and circumstances requiring restatement of the Company's previously issued 2001 and 2000 financial statements. Special counsel, working with forensic accountants, conducted an extensive investigation, which was not completed until the fourth quarter of 2003. The findings and recommendations of this investigation, and the measures the Company has taken and is taking to implement these recommendations, were discussed in detail in the 2002 Form 10-K.

For a further discussion of the financial restatement and the effect of the restatement adjustments to the Condensed Consolidated Financial Statements, see Note 2 to the Condensed Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

Following the Company's announcement in July 2003 that the Audit Committee had commissioned an internal investigation by special counsel into the Company's accounting, the Company was notified that the SEC had opened an informal investigation of the Company. This investigation was subsequently converted to a formal investigation and remains pending as of the date this report was filed with the SEC. The New York office of the SEC has received a copy of the written report of the internal investigation and has received documents and information from the Company, the Audit Committee and certain other parties pursuant to SEC subpoenas. The Company has also been advised that the United States Attorney's office for the District of New Jersey has received a copy of the written report of the internal investigation and has opened a parallel investigation focusing on certain matters described in the report by the Audit Committee's special counsel. The Company has been informed that the Company is neither a subject nor a target of the investigation by the U.S. Attorney's office. The Company is cooperating fully with both of these investigations.

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The information in this Quarterly Report on Form 10-Q 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 the Company's control. All statements, other than statements of historical facts included in this report, regarding the Company's 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. The Company does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

INTERPOOL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share and per share amounts)

	June 30, 2003	Dec 31, 2002
	Unaudited	Audited
ASSETS		
CASH AND SHORT-TERM INVESTMENTS	\$219,943	
MARKETABLE SECURITIES, available for sale at fair value	21	
ACCOUNTS AND NOTES RECEIVABLE, less allowance of \$15,969 and \$14,033, respectively	64,368	
NET INVESTMENT IN DIRECT FINANCING LEASES	412,308	
OTHER RECEIVABLES, net	24,471	
LEASING EQUIPMENT, net of accumulated depreciation and amortization of \$488,345 and \$463,809, respectively	1,606,533	1,606,533
OTHER INVESTMENT SECURITIES, available for sale at fair value	6,118	
OTHER ASSETS	83,412	
ASSETS OF BUSINESS TRANSFERRED UNDER CONTRACTUAL AGREEMENT	---	---
TOTAL ASSETS	\$2,417,174	\$2,417,174
LIABILITIES AND STOCKHOLDERS' EQUITY		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$223,181	
INCOME TAXES	32,178	
DEFERRED INCOME	2,879	
DEBT AND CAPITAL LEASE OBLIGATIONS		
Due within one year	180,444	
Due after one year	1,515,201	1,515,201
TOTAL DEBT AND CAPITAL LEASE OBLIGATIONS	1,695,645	1,695,645
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	
MINORITY INTEREST IN EQUITY OF SUBSIDIARIES	35,810	
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, 27,579,952 issued at June 30, 2003 and December 31, 2002	28	

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Additional paid-in capital	129,205	
Unamortized deferred compensation-stock grants	(2,221)	
Treasury stock, at cost, 225,900 shares at June 30, 2003 and December 31, 2002	(2,229)	
Retained earnings	255,857	
Accumulated other comprehensive loss	(28,159)	
	-----	---
Total stockholders' equity	352,481	
	-----	---
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,417,174	\$2
	=====	==

The accompanying notes to the Condensed Consolidated Financial Statements are an integral part of these balance sheets.

INTERPOOL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months June 30	
	2003	2002 (Restated)	2003	2002 (Restated)
REVENUES, including income recognized on direct financing leases of \$12,094, \$8,931, \$22,174 and \$17,146, respectively	\$91,169	\$75,598	\$180,336	\$150,000
	-----	-----	-----	-----
COSTS AND EXPENSES:				
Lease operating and administrative expenses	30,480	21,708	58,518	40,000
Provision for doubtful accounts	358	1,256	2,137	1,000
Fair value adjustment for derivative instruments	(231)	3,806	(381)	1,000
Depreciation and amortization of leasing equipment	23,029	17,119	46,226	40,000
Losses for investments accounted for under the equity method	558	3,089	610	1,000
Other (income)/expense, net	(887)	(3,072)	(2,103)	(1,000)
Interest expense	26,050	29,237	51,438	50,000
Interest income	(1,221)	(1,468)	(2,250)	(1,000)
	-----	-----	-----	-----
	78,136	71,675	154,195	130,000
	-----	-----	-----	-----
Income before minority interest expense and provision for income taxes	13,033	3,923	26,141	10,000
MINORITY INTEREST EXPENSE, NET	(526)	(740)	(922)	(1,000)
	-----	-----	-----	-----
Income before provision for income taxes	12,507	3,183	25,219	9,000
PROVISION (BENEFIT) FOR INCOME TAXES	1,335	(1,082)	3,171	1,000
	-----	-----	-----	-----
NET INCOME	\$11,172	\$4,265	\$22,048	\$10,000
	=====	=====	=====	=====
NET INCOME PER SHARE:				
Basic	\$0.41	\$0.16	\$0.81	\$0.40
	=====	=====	=====	=====
Diluted	\$0.38	\$0.14	\$0.76	\$0.37
	=====	=====	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING (in thousands):				
Basic	27,354	27,361	27,354	27,361
	=====	=====	=====	=====
Diluted	30,449	29,639	30,273	29,639
	=====	=====	=====	=====

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

INTERPOOL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

	Six Months Ended	
	June 30,	
	2003	2002
		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$22,048	\$10,45
Adjustments to reconcile net income to net cash provided by operating activities --		
Depreciation and amortization	50,129	46,46
Restricted stock grant expense	121	--
Accrued losses on business transferred under contractual agreement	---	3,90
(Gain)/loss on sale of leasing equipment	(1,090)	1,98
Loss on sale of marketable securities	26	1
Gain on sale of land held for sale	---	(4,76
Provision for doubtful accounts	2,137	3,43
Gain on retirement of debt	---	(3
Fair value adjustment for derivative instruments	(381)	2,29
Losses on investments accounted for under the equity method	610	4,11
Other, net	(8,310)	(16,52
	-----	-----
Net cash provided by operating activities	65,290	51,35
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of leasing equipment	(99,418)	(94,47
Proceeds from dispositions of leasing equipment	24,443	9,76
Proceeds from sale of land	---	7,95
Investment in direct financing leases	(70,952)	(30,12
Cash collections on direct financing leases, net of income recognized of \$22,174 and \$17,146, respectively	36,965	28,86
Purchase of marketable securities	(10)	(1,49
Sales and matured marketable securities and other investing activities	1,468	12
Investment in consolidated subsidiary by minority interest	500	76
	---	--
Net cash used for investing activities	(107,004)	(78,62
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of debt	128,104	576,66
Payment of long-term debt and capital lease obligations	(80,967)	(431,34
Borrowings of revolving credit lines	64,000	--
Repayment of revolving credit lines	(17,100)	(69,39
Purchase of treasury stock	---	(4
Dividends paid	(2,993)	(3,04
	-----	-----
Net cash provided by financing activities	91,044	72,84
	-----	-----
Net increase in cash and short-term investments	49,330	45,57
CASH AND SHORT-TERM INVESTMENTS, beginning of period	170,613	103,76
	-----	-----
CASH AND SHORT-TERM INVESTMENTS, end of period	\$219,943	\$149,33
	=====	=====
Cash paid for interest	\$51,421	\$49,63
	=====	=====
Cash paid for taxes	\$816	\$1,29
	=====	=====

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Supplemental disclosure of non-cash investing activities:		
Direct finance leases financed through capital lease obligations	\$4,397	\$---
	=====	=====
Used equipment refinanced under direct finance lease	\$11,148	\$8,99
	=====	=====

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

INTERPOOL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2002 AND THE SIX MONTHS ENDED JUNE 30, 2003
(dollars and shares in thousands)
(unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Unamortized Deferred Compen- sation	Treasury Stock	Retained Earnings
	Shares	Par Value	Shares	Par Value				
BALANCE, December 31, 2001 (Restated)	---	\$---	27,580	\$28	\$124,182	\$---	\$(2,099)	\$239,065
Net income	---	---	---	---	---	---	---	\$4,389
Other comprehensive loss	---	---	---	---	---	---	---	---
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)	237,227
Net income	---	---	---	---	---	---	---	22,048
Other comprehensive loss	---	---	---	---	---	---	---	---
Comprehensive income	---	---	---	---	---	---	---	---
Capital contribution by officers and directors	---	---	---	---	698	---	---	---
Restricted stock award	---	---	---	---	2,342	(2,342)	---	---
Amortization of restricted stock award	---	---	---	---	---	121	---	---
Cash dividends declared:								
Common stock, \$.1250 per share	---	---	---	---	---	---	---	(3,418)

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BALANCE , June 30, 2003	---	\$---	27,580	\$28	\$129,205	\$(2,221)	\$(2,229)	\$255,857
	===	====	=====	===	=====	=====	=====	=====

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

INTERPOOL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)
(Unaudited)

Note 1 - Nature of Operations and Accounting Policies

A. Basis of Presentation

The Condensed Consolidated Financial Statements of Interpool, Inc. and Subsidiaries (the Company) as of June 30, 2003 and December 31, 2002 and for the three and six months ended June 30, 2003 and 2002 (the Condensed Consolidated Financial Statements) included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principals have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. The Company has made certain reclassifications to prior balances to conform to the current year presentation. It is suggested that these Condensed Consolidated Financial Statements be read in conjunction with the financial statements and the notes thereto included in the Company's December 31, 2002 Annual Report on Form 10-K (the 2002 Form 10-K). These Condensed Consolidated Financial Statements reflect, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the results for the interim periods. The results of operations for such interim periods are not necessarily indicative of the results for the full year.

As discussed in the Company's 2002 Form 10-K, the Company has restated its financial statements for the years ended December 31, 2000 and 2001 and the first three quarters of 2002. The Company concluded that this restatement would be necessary while preparing for its 2002 annual audit in March 2003, when the Company determined that several direct finance lease transactions with customers in 2001 and 2000 had been accounted for incorrectly in its prior financial statements. In addition, it also determined that the Company's former computer leasing segment, which had been classified as a discontinued operation in its financial statements for the first three quarters of 2002 and for 2001 and 2000, should have been classified as part of continuing operations because the requirements of discontinued operation accounting treatment were not satisfied. The Company subsequently identified additional items in its prior financial statements that also required restatement. The Company's financial statements for the years ended December 31, 2000, 2001 and 2002 included in its 2002 Form 10-K, which was filed with the Securities and Exchange Commission on January 9, 2004, give effect to this restatement. The 2002 Form 10-K contains a description of each of the adjustments resulting from the restatement and describes the aggregate impact of these adjustments on the Company's previously issued financial statements.

All financial information for the three and six months ended June 30, 2002 included in this Quarterly Report on Form 10-Q gives effect to the restatement.

B. 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 Company has 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 its 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 has limited operations in a third reportable segment that specializes 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 June 30, 2003, the Company was continuing to liquidate the assets of Microtech. PCR's financial results deteriorated throughout 2002 and PCR ceased active operations and began to liquidate in 2003. Notwithstanding its plan to discontinue the operations of Microtech, such operations are reported on a continuing basis in the Company's Condensed 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.

C. 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.

D. 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 and amounted to options to purchase 22,500 shares for the six months ended June 30, 2003. For the quarters ended June 30, 2003 and 2002 and the six months ended June 30, 2002, all stock options to acquire common shares are dilutive. Unvested restricted stock grants did not have a dilutive effect to earnings per share (EPS) for the three and six months ended June 30, 2003. There were no unvested restricted stock grants outstanding during the quarter ended June 30, 2002.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Numerator				
Net Income - Basic EPS	\$11,172	\$4,265	\$22,048	\$10,45
Interest expense on convertible debentures, net of tax of \$344 and 645 respectively	516	---	967	--
Net Income - Diluted EPS	\$11,688	\$4,265	\$23,015	\$10,45
Denominator				
Weighted average common shares outstanding-Basic	27,354	27,361	27,354	27,36
Dilutive stock options	1,608	2,278	1,487	2,08
Dilutive convertible debentures	1,487	---	1,432	--
Weighted average common shares outstanding-Diluted	30,449	29,639	30,273	29,44
Earnings per common share				
Basic	\$0.41	\$0.16	\$0.81	\$0.3
Diluted	\$0.38	\$0.14	\$0.76	\$0.3

E. Comprehensive Income

Comprehensive income consists of net income or loss for the current period 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 is as follows:

Six Months Ended June 30, 2003	Before Tax Amount	Tax Effect	Net of Tax Amount
Unrealized holding gains (losses) arising during the period:			
Marketable securities (1)	\$37	\$(13)	\$24
Cumulative foreign currency translation adjustment	8	(3)	5
Swap agreements	(4,653)	1,463	(3,190)
	-----	-----	-----
	\$ (4,608)	\$1,447	\$ (3,161)
	=====	=====	=====

- (1) Amounts are net of losses on sales of marketable securities of \$26 (before income tax effect of \$1) recognized in the income statement.

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Six Months Ended June 30, 2002 (Restated)	Before Tax Amount	Tax Effect
Unrealized holding losses arising during the period:		
Marketable securities (1)	\$ (18)	\$8
Cumulative foreign currency translation adjustment	(77)	27
Swap agreements	(6,073)	2,784
	-----	-----
	\$ (6,168)	\$2,819
	=====	=====

- (1) Amounts are net of losses on sales of marketable securities of \$19 (before income tax effect of \$8) recognized in the income statement.

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

	June 30, 2003	December 31, 2002
	-----	-----
Marketable securities	\$ (30)	\$ (54)
Cumulative foreign currency translation adjustment	(38)	(43)
Swap agreements	(28,091)	(24,901)
	-----	-----
	\$ (28,159)	\$ (24,998)
	=====	=====

F. 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* (APB 25). 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 exercise price equal to the market price of the Company's Stock at Grant Date; accordingly, no compensation expense has been recognized. Options issued with an exercise price below the fair value of the Company's common stock on the date of grant will be accounted for as compensatory options. The difference between the exercise price and the fair value of the Company's common stock will be charged to expense over the shorter of the vesting or service period. Options issued at fair value are non-compensatory.

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 option plans.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	----	----	----	----
		Restated		Restated
		-----		-----
Net income, as reported	\$11,172	\$4,265	\$22,048	\$10,000
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(26)	(18)	(54)	---
	---	---	---	---
Pro forma net income	\$11,146	\$4,247	\$21,994	\$10,000

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	=====	=====	=====	=====
Earnings per share:				
Basic-as reported	\$0.41	\$0.16	\$0.81	\$
	=====	=====	=====	=====
Basic-pro forma	\$0.41	\$0.16	\$0.80	\$
	=====	=====	=====	=====
Diluted-as reported	\$0.38	\$0.14	\$0.76	\$
	=====	=====	=====	=====
Diluted-pro forma	\$0.38	\$0.14	\$0.76	\$
	=====	=====	=====	=====

This pro forma impact takes into account all options granted under the plan. 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%.

The fair value of options granted in October and February 2000 was \$5.35 and \$2.62, respectively. The fair value was estimated using the Black-Scholes option pricing model based on the market price at grant date of \$11.94 and \$6.38 in 2000, respectively, and the following weighted average assumptions: risk-free interest rate of 5.97% and 6.70%, expected life of 7 years, volatility of 37% and dividend yield of 1.3% and 2.4% in 2000.

On January 2, 2003, under the Company's Deferred Bonus 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. The number of shares of restricted 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 10 trading days ending on December 31 of the grant year. Additional restricted stock is awarded based on the vesting period selected by the employee. If the five year vesting period is selected, the shares awarded are increased by 10%. If the ten year vesting period is selected, the shares awarded are increased by 30%. These grants vest upon continued service over either the five or ten year period elected by the employee. 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 Condensed Consolidated Balance Sheet. Compensation costs will be recognized ratably over the vesting periods during which the related employee service is rendered. For the three and six months ended June 30, 2003 compensation expense was \$61 and \$121, respectively. The unamortized deferred compensation remaining in stockholders equity was \$2,221 at June 30, 2003.

G. Adoption of New Accounting Standards

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. Prior to SFAS 146, U.S. GAAP provided 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. The adoption of SFAS 146 did not have any impact on the Company's financial condition or results of operations.

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 provided the disclosures required by FIN 45. The adoption of the recognition and measurement provisions of FIN 45 that were adopted on January 1, 2003 did not have a material effect on the Company's Condensed Consolidated Financial Statements.

In January 2003, the FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46). FIN 46 clarifies the application of Accounting Research Bulletin No. 51, *Consolidated Financial Statements* (ARB 51), to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. ARB 51 requires that an enterprise's consolidated financial statements include subsidiaries in which the enterprise has a controlling financial interest. That requirement usually has been applied to subsidiaries in which an enterprise has a majority voting interest. The voting interest approach is not effective in identifying controlling financial interests in entities that are not controllable through voting interests or in which the equity investors do not bear the residual economic risk. FIN 46 explains how to identify variable interest entities and how an enterprise assesses its interests in a variable interest entity to decide whether it is its primary beneficiary and therefore is required to consolidate that entity. FIN 46 also addresses the initial valuation of the assets and liabilities to be consolidated, the treatment of any gain or loss resulting from the initial measurement and disclosure requirements for the primary beneficiary. All entities with variable interest in variable interest entities created after January 31, 2003 shall apply the provisions of FIN 46 immediately. Public entities with a variable interest in a variable interest entity created before February 1, 2003 shall apply the provisions of this interpretation no later than the first interim or annual reporting period beginning after December 15, 2003. On December 24, 2003, FASB issued an Interpretation, which clarified and modified FASB Interpretation No. 46 (FIN 46R). The Company is in the process of analyzing FIN 46R. Based upon its preliminary analysis, it would appear the Company may be required to deconsolidate its investment in Interpool Capital Trust. As a result, Company-obligated Mandatorily Redeemable Preferred Securities in Subsidiary Grantor Trusts would be eliminated and replaced by an amount reported as debt in the Consolidated Financial Statements. Such changes are not expected to have any significant 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 requires that certain financial instruments that, under previous guidance, issuers could account for as equity, be classified as liabilities in statements of financial position. Almost all instruments within the scope of this statement are initially measured at fair value with subsequent changes in fair value flowing through the income statement. One exception is mandatorily redeemable instruments. These instruments are initially measured at the present value of the amount to be paid at the earliest settlement date and adjusted to their redemption/settlement amount using the implicit interest rate at inception. 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. It is not expected that SFAS 150 will materially affect the Company's consolidated financial statements.

Note 2 - Restatement of Previously Issued Financial Statements

The Company determined that it misinterpreted or misapplied generally accepted accounting principles in certain circumstances. As a result, the Company has restated the audited Consolidated Financial Statements for the years ended December 31, 2001 and 2000 and the related unaudited interim periods for the first three quarters in 2002. The restated financial statements for the years ended December 31, 2001 and 2000 are contained in the Company's 2002 Form 10-K. The restated financial statements for the three and six months ended June 30, 2002 are included in these Condensed Consolidated Financial Statements.

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The following table sets forth the effects of the restatement adjustments on income before taxes and discontinued operations, net income and the basic and diluted earnings per share for the three and six months ended June 30, 2002. All restatement items were previously reported in the Company's 2002 Form 10-K. Amounts previously reported as Other in the Company's 2002 Form 10-K, due to their immaterial effect on the reported results for the year ended December 31, 2002, have been described separately below if such adjustments had a material effect on the quarterly results for the three and six months ended June 30, 2002. The restatement adjustments are discussed in the Description of Restatement Items section following the tables below.

Three Months Ended June 30, 2002 (unaudited)				
	Income before taxes and discontinued operations	Net Income	Net Income Per Share (Basic)	Net Income Per Share (Diluted)
Previously Reported	\$6,216	\$6,188	\$0.23	\$0.21
Lease Accounting	196	218	0.01	0.01
Residual guarantees	580	348	0.01	0.01
Swap accounting	(1,104)	(596)	(0.02)	(0.02)
Intercompany transactions with CAI	1,142	1,095	0.04	0.04
Deferred tax asset valuation	---	(265)	(0.01)	(0.01)
Intercompany account reconciliations	(445)	(429)	(0.01)	(0.01)
Accounting for insurance claim	(751)	(722)	(0.03)	(0.02)
Elimination of discontinued operations classification-PCR	(1,580)	(948)	(0.03)	(0.04)
Changes in accruals and estimates				
Write-off of deferred financing fees	126	76	---	---
Estimated repair costs incurred on equipment	(366)	(221)	(0.01)	(0.01)
Reversal of repair accrual in incorrect period	(366)	(220)	(0.01)	(0.01)
Other	(497)	(259)	(0.01)	(0.01)
	----	----	----	----
Net Restatements	(3,065)	(1,923)	(0.07)	(0.07)
	-----	-----	-----	-----
As restated before discontinued operations	3,151	4,265	0.16	0.14
Adoption in 2002 of SFAS 145 on retirement of debt	32	---	---	---
	-----	-----	-----	-----
As restated	\$3,183	\$4,265	\$0.16	\$0.14
	=====	=====	=====	=====

Six Months Ended June 30, 2002 (unaudited)				
	Income before taxes and discontinued operations	Net Income	Net Income Per Share (Basic)	Net Income Per Share (Diluted)
Previously Reported	\$18,749	\$16,881	\$0.62	\$0.57
Lease accounting	596	614	0.02	0.02
Residual guarantees	1,126	676	0.02	0.02
Swap accounting	(246)	19	---	---
Intercompany transactions with CAI	708	807	0.03	0.04
Deferred tax asset valuation	---	(530)	(0.02)	(0.02)
Intercompany account reconciliations	30	29	---	---

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Accounting for insurance claim	(5,115)	(4,922)	(0.18)	(0.17)
Elimination of discontinued operations classification-PCR	(3,910)	(2,346)	(0.08)	(0.07)
Changes in accruals and estimates				
Write-off of deferred financing fees	(558)	(335)	(0.01)	(0.01)
Estimated repair costs incurred on equipment	(313)	(188)	(0.01)	(0.01)
Reversal of repair accrual in incorrect period	(366)	(220)	(0.01)	(0.01)
Other	(38)	(30)	---	---
	-----	-----	-----	-----
Net Restatements	(8,086)	(6,426)	(0.24)	(0.21)
	-----	-----	-----	-----
As restated before discontinued operations	10,663	10,455	0.38	0.36
Elimination of discontinued operations classification	(1,182)	---	---	---
Adoption in 2002 of SFAS 145 on retirement of debt	32	---	---	---
	-----	-----	-----	-----
As restated	\$9,513	\$10,455	\$0.38	\$0.36
	=====	=====	=====	=====

Description of Restatement Items

Lease Accounting

During 2000 and 2001, the Company billed customers under four direct finance leases that required a down payment from the customer. The value of equipment leased to these customers totaled \$7,055 while the initial down payment called for under the leases amounted to \$1,899. These down payments were incorrectly recorded as revenue when collected rather than as a reduction to the net investment in the direct finance leases. This treatment had the effect of overstating revenue in the period that the down payments were made by the customer and understating revenue for the remaining periods of the leases. The effect was to understate pre tax income for the three and six months ended June 30, 2002 by \$137 and \$166, respectively.

After discovering the aforementioned leases, the Company conducted a review of all of its active leases and determined that a number of leases to customers were incorrectly classified as operating leases when these leases met the criteria for capitalization as direct finance leases under the provisions of SFAS 13, *Accounting for Leases*. As a result, the Company has reduced pre tax income earned under the terms of these leases by \$273 and \$414 for the three and six months ended June 30, 2002.

The Company determined that the system used to account for its finance lease portfolio incorrectly calculated the income earned on these leases. The Company recalculated the interest recorded on its lease portfolio, which has resulted in an increase to pretax income of \$332 and \$844 for the three and six months ended June 30, 2002.

Elimination of Discontinued Operations Classification

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.

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As a result of the decision made by the Company, the assets and liabilities, results of operations and cash flows of PCR and Microtech were accounted for as discontinued operations in the previously reported Condensed Consolidated Financial Statements at June 30, 2002.

On December 31, 2001, the Company acquired from the management of Microtech (the same individuals who manage 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.

At December 31, 2001, the Company also had a loan due from PCR in the amount of \$3,500 under a long term revolving credit facility which was due on demand and was secured by substantially all of PCR's assets, subordinated to the interest of a financial institution which provided PCR an additional line of credit. The Company was also a guarantor of PCR debts due to parties other than the Company totaling \$5,000.

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. In addition, on December 31, 2001 the Company had entered into consulting and bonus contracts with two officers of PCR. Microtech also had a finance lease and other receivables in the amount of approximately \$1,400 due from PCR at December 31, 2001. These transactions and continuing obligations of the Company and its officers and directors were not considered by the Company when evaluating the accounting for the PCR transaction at December 31, 2001 and June 30, 2002. These items preclude the use of sale accounting for this transaction. As a result, classification of the computer-leasing segment as a discontinued operation was inappropriate. As a result, the assets and liabilities of PCR are included in the Condensed Consolidated Balance Sheets as assets of business transferred under contractual agreement and liabilities of business transferred under contractual agreement, respectively. The assets and liabilities of Microtech are included in the respective line items on the Condensed Consolidated Balance Sheets.

The Condensed Consolidated Financial Statements at June 30, 2002 have been restated to include the results of the computer-leasing segment in net income from continuing operations. In accordance with SEC Staff Accounting Bulletin Topic 5e, the Company has recorded PCR's operating losses for the three and six months ended June 30, 2002 amounting to \$1,580 and \$3,910, respectively. These losses have been included in other (income)/expense, net with a corresponding reduction to PCR's assets which are included in assets of business transferred under contractual agreement. In addition, the pre tax losses incurred by Microtech for the six months ended June 30, 2002 totaling \$1,182 have been included in pre tax income.

Residual Guarantees

During the year ended December 31, 2000, the Company acquired certain leasing equipment subject to long-term lease agreements and financed the transaction through sale/leaseback arrangements with financial institutions. These leases generally called for the Company to guarantee a stated portion of the residual value at the end of the lease term. During a review of these leases, it was determined that the Company had been accruing for the full amount of its residual, rather than for an estimate of the Company's potential payment under the residual guaranty. As a result, the Company has reduced its provisions for these guarantees amounting to \$458 and \$915 for the three and six months ended June 30, 2002. This amount has been reflected in lease operating expense on the accompanying Condensed Consolidated Statements of Income.

In addition, during the review of these leases, the Company determined that two leases that had been treated as operating leases should have been classified as finance leases. The reclassification of these leases resulted in additional pre tax income of \$122 and \$211 for the three and six months ended June 30, 2002.

Swap Accounting

The Company entered into a swap facility in July 2000 with a notional value of \$149,882 related to its chassis securitization. This facility qualified for hedge accounting based upon the rules in effect prior to the Company's adoption of SFAS 133. Upon the adoption of SFAS 133 in January 2001, the Company believed that the swap would be effective in hedging the underlying debt and accounted for the swap as a cash flow hedge under SFAS 133. However, the documentation of the hedging relationship did not exist in 2001 as required by generally accepted accounting principles and, therefore, the swap should have been accounted for as a speculative contract until it was terminated in March 2002. The swap had a negative fair value of \$6,580 on December 31, 2000 which was included in accumulated other comprehensive loss at the date of adoption. This negative value will be amortized over the life of the swap in accordance with the transition rules set forth in SFAS 133. For the period from January 1, 2001 to March 28, 2002, the date the swap terminated, all changes to the value of the swap have been reflected in fair value adjustment for derivative instruments on the accompanying Condensed Consolidated Statements of Income.

In connection with the adoption of SFAS 133 on January 1, 2001, the Company incorrectly applied the transition rules under SFAS 133 and recorded the cumulative effect of the adoption of SFAS 133 relating to certain swaps which previously qualified for hedge accounting as an adjustment to net income rather than accumulated other comprehensive income.

In addition, the Company has re-measured the ineffectiveness related to a swap and has reclassified this ineffectiveness from accumulated other comprehensive loss to fair value adjustment for derivative instruments on the accompanying Condensed Consolidated Statements of Income.

The effect of all of the changes described above was to decrease pre tax income by \$1,104 and \$246 for the three and six months ended June 30, 2002.

Inter-company Transactions with CAI

During the period from 1998 to March 2002, there were several transactions wherein Interpool acquired equipment, and the related leases, from CAI on terms that resulted in a profit for CAI. In addition, certain costs related to these transactions were capitalized by Interpool while CAI recorded these transactions as income in the periods in which the transactions were completed. These capitalized costs were written off by Interpool during the second quarter of 2002.

Prior to June 27, 2002, the Company's investment in CAI was accounted for under the equity method of accounting. The Company failed to eliminate a portion of inter-company profits in recording its equity portion of the income or loss incurred by CAI.

We have restated all of the periods affected by these inter-company transactions, eliminating all gains and correcting the accounting for all inter-company charges in the periods affected. The required adjustments resulted in an increase of \$1,142 and \$708 for the three and six months ended June 30, 2002.

Inter-company Account Reconciliation

The Company identified an inter-company account in 2002 that had not been reconciled at December 31, 2001 and 2000 or the interim periods in 2002. This reconciliation, when performed in 2002, resulted in a decrease of \$445 and an increase of \$30 to pre tax income for the three and six months ended June 30, 2002.

Accounting for Insurance Claim

In February 2001, the Company demanded return of all of its equipment on lease to a significant customer based in South Korea. The lessee subsequently commenced insolvency proceedings and did not return the Company's equipment. At the time of this insolvency, the Company maintained insurance coverage against such lessee defaults, and submitted a claim in 2002 to its insurance carriers seeking to recover the value of the receivables owed by the customer (to the extent covered by the insurance policies). The claim includes 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.

In the past, the Company has accounted for this claim under the assumption that the insurance policy was a guarantee of the lease contract with the customer in default. The Company, therefore, recorded all amounts billable to the lessee under the lease contract, to the extent they were deemed to be collectible from the insurance company, in the periods that they were billable under the terms of the lease. This resulted in the recognition of lease revenues, gains on the disposition of equipment and the recovery of costs related to the default in the periods that they would have been recorded under the terms of the lease.

As a result of comments made on analogous accounting matters in December 2003 by representatives of regulatory authorities, the Company reviewed its accounting for the insurance claim and determined that the insurance policy should not be treated as a guaranty of the lease because the policy is not imbedded in the lease contract. Utilizing this approach, the lease and the insurance policy are accounted for separately. As such, in connection with the lease, the Company ceased the recognition of lease revenues for amounts billable to the lessee after the lease default date at the time the Company determined that such amounts were not probable of collection from the lessee. In connection with the accounting for the insurance policy, the Company has recorded a receivable which has been limited to the out of pocket costs incurred or losses recorded 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 out of pocket costs incurred and losses recorded by the Company, are considered a gain contingency. 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.

The change in the accounting for this insurance claim resulted in a decrease to previously reported pre-tax income of \$751 and \$5,115 for the three and six months ended June 30, 2002.

Changes in Accruals and Estimates

Write-off of Deferred Financing Fees

As part of the restatement, the Company determined that certain deferred finance costs related to the chassis securitization, which were expensed in the second quarter of 2002, should have been recorded as an expense in the three months ended March 31, 2002. In addition, the Company determined that certain other costs which it had deferred related to the structuring of the chassis securitization should have been expensed in the second quarter due to changes made to the securitization. These adjustments amounted to an increase of \$126 and a decrease of \$558 for the three and six months ended June 30, 2002. These adjustments have been reflected in interest expense in the accompanying Condensed Consolidated Statements of Income for the three and six months ended June 30, 2002.

Estimated Repair Costs Incurred on Equipment

After the acquisition of certain used equipment in 1998, the Company capitalized the estimated cost of repairs incurred for the equipment to the depreciable basis of the assets acquired. During 2002, the Company determined that the actual repair costs were less than the estimated costs, resulting in an excess asset balance being depreciated since

1998. During 2002, the Company made an adjustment reducing depreciation expense by \$422 (pre-tax) to correct for the excess depreciation expense recorded by the Company from 1998 through 2002. In connection with the re-statement, this 2002 adjustment to depreciation expense was reversed and depreciation expense was corrected for the periods from 1998 through 2002. The effect of these adjustments was to reduce pre tax income by \$366 and \$313 for the three and six months ended June 30, 2002.

Reversal of Repair Accrual in Incorrect Period

The Company reversed excess repair accruals amounting to \$366 during the three months ended June 30, 2002. As part of the restatement, the Company determined that this adjustment should have been recorded in the fourth quarter of 2000. The adjustment made to correct the recording of these entries resulted in a decrease to pre tax income for the three and six-month periods ended June 30, 2002 of \$366.

Other

The Company made other adjustments consisting of changes to accruals and estimates as well as entries to reclassify previously recorded entries to their correct periods. These adjustments were individually immaterial and decreased pretax income by \$497 and \$38 for the three and six-month periods ended June 30, 2002.

Income Tax Expense (Benefit)

The change in the provision for income taxes due to the correction of the pretax errors described above decreased the provision for income taxes by \$1,407 and \$2,662 (including the reclassification of the tax benefit of \$472 from discontinued operations) for the three and six months ended June 30, 2002.

Deferred Tax Asset Valuation Allowance

The Company completed a review of its deferred tax liabilities and the carrying value of certain tax assets. In connection with this review, the Company reclassified certain tax liabilities to properly reflect them as deferred tax valuation allowances. In addition, the Company increased its provision for income taxes by \$265 and \$530 for the three and six months ended June 30, 2002 with a comparable increase to its deferred tax liabilities at that date.

Note 3 - 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. 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 period from April 1, 2002 through June 27, 2002 and the period from January 1, 2002 through June 27, 2002 totaling \$2,998 and \$4,045, respectively, have been recorded in losses for investments accounted for under the equity method in the accompanying Condensed Consolidated Statement of Income. For the period from June 27 to June 30, 2002, as well as the three and six months ended June 30, 2003, CAI's results of operations have been included in the appropriate captions on the accompanying Condensed Consolidated Statement of Income. Minority interest income recorded by the Company for the three and six months ended June 30, 2003 was \$185 and \$610, respectively.

During the three and six months ended June 30, 2002, CAI sold containers to Interpool in the amount of \$1,104 and \$13,259, respectively and recorded a gain on these sales of zero and \$730 respectively. During the three months ended June 30, 2003, CAI sold containers to Interpool in the amount of \$5,890 and recorded a gain of \$561. All transactions (including the related gains on sale) between the Company and CAI have been eliminated in consolidation.

A total of \$80,900 was outstanding under CAI's senior revolving credit facility at June 30, 2003. Borrowings under CAI's senior credit facility are secured by substantially all CAI's assets and are payable on June 27, 2005. The senior credit facility contains various financial and other covenants. At June 30, 2003 CAI was in compliance with all revolving credit facility and lease covenants.

Note 4 - 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 Company has 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, Company management adopted a plan to exit this segment. As of June 30, 2003 the assets of Microtech continued to be liquidated. PCR's financial condition deteriorated throughout 2002 and PCR ceased active operations and began to liquidate in the first quarter of 2003. At June 30, 2003 and 2002, expenses related to the activities and ongoing 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 and extraordinary items. The Company's reportable segments are strategic business units that offer different products and services.

Segment Information

Six Months Ended June 30, 2003:	Container Leasing	Domestic Intermodal Equipment	Computer Leasing Equipment	Totals

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Revenues from external customers	\$82,802	\$97,222	\$312	\$180,33
Lease operating, administrative and other expenses	19,866	40,579	(171)	60,27
Depreciation and amortization	29,719	16,507	---	46,22
Other (income)/expense, net and minority interest expense, net	(1,061)	(83)	(37)	(1,18
Loss for investments under equity method	---	610	---	61
Interest income	(1,535)	(715)	---	(2,25
Interest expense	15,265	36,172	1	51,43
Income before taxes	20,548	4,152	519	25,21
Net investment in DFL's	316,223	95,962	123	412,30
Leasing equipment, net	712,501	894,032	---	1,606,53
Equipment purchases	124,890	45,480	---	170,37
Total segment assets	\$1,249,527	\$1,165,734	\$1,913	\$2,417,17

Six Months Ended June 30, 2002 (Restated):	Container Leasing	Domestic Intermodal Equipment	Computer Leasing Equipment	Totals
Revenues from external customers	\$58,306	\$91,046	\$729	\$150,08
Lease operating, administrative and other expenses	13,756	34,047	1,763	49,56
Depreciation and amortization	24,183	20,415	67	44,66
Other (income)/expense, net and minority interest expense, net	(5,081)	(1,989)	(52)	(7,12
Loss for investments under equity method	---	4,114	---	4,11
Interest income	(1,042)	(2,502)	---	(3,54
Interest expense	12,227	40,536	126	52,88
Income before taxes	14,263	(3,575)	(1,175)	9,51
Net investment in DFL's	207,558	80,618	1,615	289,79
Leasing equipment, net	666,111	870,162	22	1,536,29
Equipment purchases	61,509	63,089	---	124,59
Total segment assets	\$1,016,159	\$1,139,289	\$9,315	\$2,164,76

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 information about the business of the Company by geographic area is derived from either international sources or from United States sources. Such presentation is consistent with industry practice.

Geographic Information

	Six Months Ended June 30,	
	2003	2002
	-----	-----
		(Restated)

REVENUES:		
United States	\$ 114,271	\$ 92,208
International	66,065	57,873
	-----	-----
	\$ 180,336	\$ 150,081
	=====	=====
ASSETS:		
United States	\$1,335,933	\$1,348,351
International	1,081,241	816,412

-----	-----
\$2,417,174	\$2,164,763
=====	=====

Note 5 - 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.

The Company considered its portion of the future cash flows of the assets and the underlying residuals (retained interest) an available for sale security, which is included in other investment securities in the accompanying Condensed Consolidated Balance Sheets. Accordingly, the retained interest is accounted for at fair value, with any changes in fair value over its allocated historical book value recorded as a component of other comprehensive income, net of tax, in the Statement of Changes in Stockholders' Equity. As of June 30, 2003 and December 31, 2002, the Company estimated the fair market value of retained interest was \$6,118 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. The reduction in value between December 31, 2002 and June 30, 2003, resulted primarily from cash received from the trust. For the six months ended June 30, 2003 and 2002, the Company recorded interest income on the retained interest totaling \$768 and \$963, respectively, which is included in revenues in the accompanying Condensed Consolidated Statements of Income. For the three months ended June 30, 2003 and 2002, the Company recorded interest income on the retained interest totaling \$378 and \$419, respectively, which is included in revenues in the accompanying Condensed Consolidated Statements of Income. As of June 30, 2003, assets with a historical book value of \$26,697 remain in the qualified special purpose entity with \$22,568 of asset-backed notes outstanding.

Interpool Limited, a wholly owned 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%. 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 six months ended June 30, 2003 and 2002, the Company received servicing fees totaling \$526 and \$260, which are included in interest income in the accompanying Condensed Consolidated Statements of Income. For the three months ended June 30, 2003 and 2002, the Company received servicing fees totaling \$272 and \$134, which are included in interest income in the accompanying Condensed Consolidated Statements of Income. For the six months ended June 30, 2003 and 2002, cash flows received on the retained interest were \$4,849 and \$5,423, respectively.

At June 30, 2003 and 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:

	June 30, 2003	December 31, 2002
	-----	-----
Carrying amount/fair value of retained interests	\$6,118	\$10,319
Weighted-average life (in years)	1.8	1.8
Expected credit losses (annual rate)	1.5%	1.5%
Impact on fair value of 10% adverse change	\$54	\$83
Impact on fair value of 20% adverse change	\$112	\$167
Residual cash flows discount rate (annual)	12.6%	12.6%
Impact on fair value of 10% adverse change	\$114	\$182
Impact on fair value of 20% adverse change	\$225	\$354

At June 30, 2003, the fair value of the Company's retained interest approximated its net book value.

Note 6 - Derivative Instruments

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

As of June 30, 2003 and December 31, 2002, included in accounts payable and accrued expenses in the accompanying Condensed Consolidated Balance Sheets is a liability of \$53,848 and \$49,577, respectively, representing the market value of the Company's interest rate swap contracts.

The unrealized pre-tax loss on cash flow hedges for the periods ended June 30, 2003 and December 31, 2002 of \$(4,653) and \$(23,436), respectively have been reported in the Company's Condensed Consolidated Balance Sheet as a component of accumulated other comprehensive loss, along with related deferred income tax benefit of \$1,463 and \$8,703, respectively.

Amounts recorded in accumulated other comprehensive income 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 of \$175 and \$329, respectively, for the three and six month periods ended June 30, 2003 resulting from the change in fair value of interest rate swap agreements held which do not qualify as cash flow hedges under SFAS 133, has been recorded in the Condensed Consolidated Statements of Income as fair value adjustment for derivative instruments. This compares to pre-tax losses of \$3,716 and \$2,257, respectively, for the three and six month periods ended June 30, 2002. Interest rate swap agreements, which qualify as perfect cash flow hedges, have no ineffectiveness and therefore are not reflected in the Condensed Consolidated Statements of Income. Pre-tax income of \$56 and \$52, respectively, for the three and six month periods ended June 30, 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 Condensed Consolidated Statements of Income as fair value adjustment for derivative instruments. This compares to \$90 and \$41, respectively, of pre-tax losses for the three and six month periods ended June 30, 2002. Future ineffectiveness related to these interest rate swap agreements will continue to be recorded in the Condensed Consolidated Statements of Income during the next twelve months.

As of June 30, 2003, the Company held 13 interest rate swap agreements with various financial institutions. The aggregate notional balance of the swaps was \$572,535 as of June 30, 2003.

Note 7 - Contingencies and Commitments

At June 30, 2003 commitments for capital expenditures totaled approximately \$94,665.

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. 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.

Accounting for an Insurance Claim for a Customer in Default

In February 2001, the Company demanded return of all of its equipment on lease to a significant customer based in South Korea. The lessee subsequently commenced insolvency proceedings and did not return the Company's equipment. At the time of this insolvency, the Company maintained insurance coverage against such lessee defaults, and submitted a claim in 2002 to its insurance carriers seeking to recover the value of the receivables owned by the customer (to the extent covered by the insurance policies). The claim includes 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. At June 30, 2003 and December 31, 2002, the receivable due from the insurance carriers totaled approximately \$19,937 and \$19,606, respectively, related to the Company's claim. The Company's total claim exceeds \$35,000, the maximum coverage under its insurance policy. The collectibility of the claim is subject to litigation. It is impossible to give assurance as to the ultimate outcome of this proceeding in view of the uncertainties inherent in any litigation. The Company believes that the facts as they have been developed through discovery, and the applicable law, should entitle it to a recovery in the full amount of the claim. The Company will continue to monitor the progress and development of this litigation. As the litigation progresses, the Company will continue to evaluate the prospects for full recovery on its insurance claim and reserves for the impairment of the asset values may become necessary. If the Company is unsuccessful in this litigation, its maximum write-off at June 30, 2003 would amount to \$19,937 (\$17,394, net of tax). For additional information regarding this insurance claim, please refer to the Company's 2002 Form 10-K.

Also, refer to Note 8 Subsequent Events Stockholder Litigation section for additional discussion of legal proceedings involving the Company.

At June 30, 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 has 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 any 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 \$1,451 could be due in 4 to 5 years, with the remaining \$10,954 potentially due in greater than 5 years. As of June 30, 2003 and December 31, 2002, included in accounts payable and accrued expenses in the accompanying Condensed Consolidated Balance Sheets is a liability of \$122 and \$99, respectively, representing the accrual for the estimated exposure under 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 would be paid an arrangement fee and a portion of the initial rent for each container included in the lease. During the second quarter of 2003, approximately 1,300 containers were delivered to the lessee and the Company received payments amounting to \$794.

The estimated fair value at the end of the lease term guaranteed by the Company for these containers amounts to approximately \$2,806. 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 \$673 as of June 30, 2003. 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 June 30, 2003, CAI, a consolidated subsidiary, had 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 is probable that the Company will incur costs related to this guarantee. As a result, the Company has recorded a liability representing its guarantee of PCR debts net of amounts collected related to PCR's liquidation. At June 30, 2003 and December 31, 2002 this liability totaled \$5,000 and is included in accounts payable and accrued expenses in the Condensed Consolidated Balance Sheet. Although there is a recourse provision that allows the Company to recover payments under the guarantee, recovery is unlikely.

Note 8 - Subsequent Events

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. While the Company successfully completed several financings during 2003 and early 2004, including financings of approximately \$44,000 during December 2003 and \$80,000 during March 2004, the Company's ability to borrow funds on favorable terms has been limited since March 31, 2003 because of the restatement to its historical financial statements and the related Audit Committee and SEC investigations, the delay in completing its audited 2002 financial statements and filing its Annual Report on Form 10-K for 2002 with the SEC, and the delay in completing its quarterly financial statements for 2003 and filing its Quarterly Reports on Form 10-Q for periods in 2003. This has required the Company to reduce the level of new business it has written with customers.

Manufacturer Obligations

In the past, the Company has paid its equipment manufacturers for acquisitions of containers and chassis within normal trade terms. During 2003, however, the Company was unable to make payments on a normal schedule because of the limited availability of new financings and, accordingly, deferred payment of a substantial portion of its payment obligations to these manufacturers. As of December 31, 2003, the total amount the Company owed to these manufacturers for equipment already delivered (most of which has been placed into service in its fleet) or committed to purchase was approximately \$66,500.

During January and February 2004, the Company reduced its obligations to these manufacturers to \$52,095, through the use of available cash. During March 2004, the Company used a portion of the proceeds of a secured financing to pay off the remaining obligations to its container manufacturers (\$46,387) in full. The remaining balance, representing amounts payable to chassis manufacturers, will be paid in full from the Company's available cash balances as it becomes due in accordance with contractual terms.

Debt Modifications and Waivers

In July 2003, October 2003 and January 2004, in connection with obtaining necessary amendments under its 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 maintain specified levels of unrestricted cash and cash equivalents until all 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 the Company's 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 is 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 for the container securitization and one other loan agreement. In conjunction with the waiver received during February 2004, the Company became obligated to make amortization payments under its revolving credit facility beginning in March 2004.

The Company also made various pricing and other concessions to holders of certain other indebtedness in connection with obtaining necessary waivers from such holders due to the late filing of its SEC reports.

During January 2004, the Company's lenders agreed to extend the expiration of the waiver relating to the late filing of its Quarterly Report on Form 10-Q for the first quarter of 2003 from January 31, 2004, to February 29, 2004.

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 the Company provided to its lenders are:

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<u>Statement</u>	<u>Revised Completion Date</u>
2003 - Second Quarter 10-Q	On or before April 15, 2004
2003 - Third Quarter 10-Q	On or before May 31, 2004
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 discussions.)

New Borrowings

The Company completed a financing in the amount of \$80,000 during March 2004, the proceeds of which were used to pay its container manufacturers in full for containers acquired during 2003, to refinance an existing loan, and for general corporate purposes. The Company received \$76,000 under this financing in March 2004 and expects to draw down on a second tranche of this financing in the amount of \$4,000 later in 2004.

Rating Agency Downgrades

During October and November 2003, the ratings on the Company's debt securities were downgraded by three major rating agencies, Standard & Poor's, Fitch, and Moody's, citing the resignation of its President, continued delay in issuing audited restated financial statements for 2000 and 2001 and its audited financial statements for 2002 that were to be included in its 2002 Form 10-K and the need to obtain waivers from its lending group for technical defaults under the loan agreements associated with the financial statement delays. The Company's debt securities were again downgraded by all three rating agencies on December 29, 2003. On January 27, 2004, Moody's again 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 July 1, 2004. The Company has been advised that it is likely that the pricing associated with the chassis securitization will be adversely affected, although the amount of any such pricing increase has not yet been determined. There 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 July 1, 2004, 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. (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 procedure