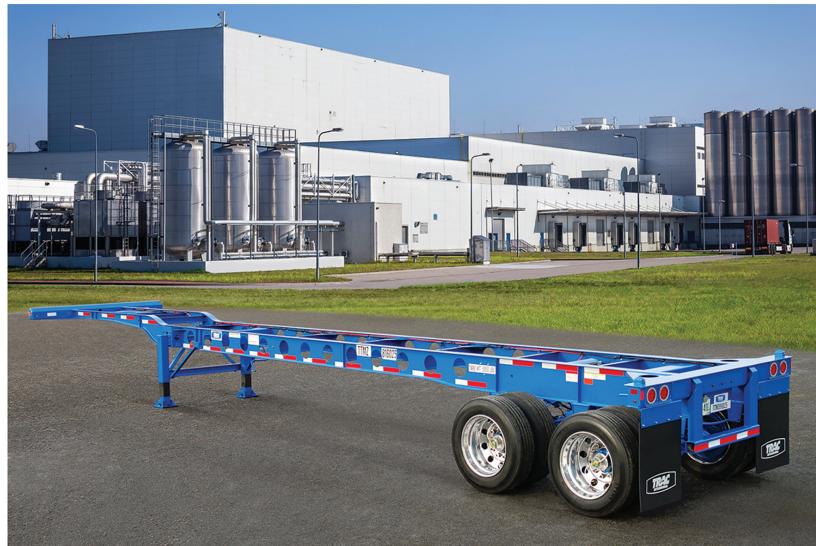
2016 Annual REPORT

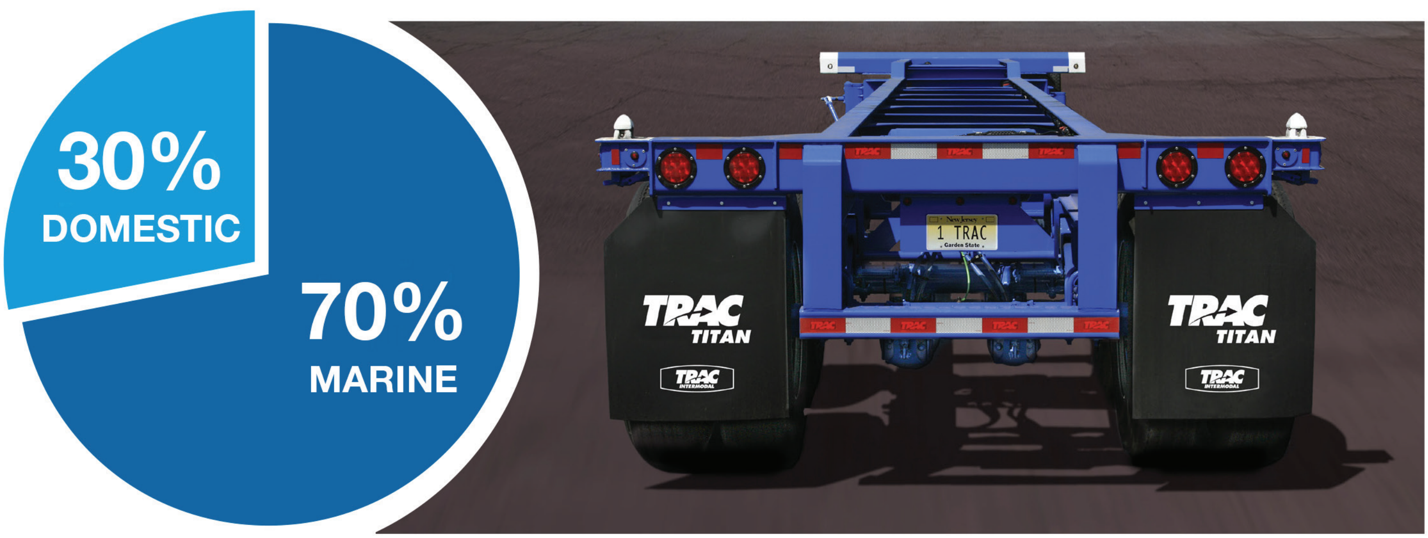


TRAC INTERMODAL

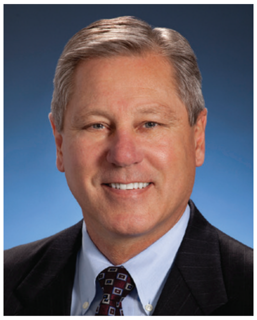
TRAC Intermodal Key Financial Highlights

	Revenues: in $ millions	Adjusted EBITDA: in $ millions
Total		
2016	669.2	195.8
2015	691.4	227.2
2014	627.0	200.9
Marine Market Segment		
2016	453.2	112.2
2015	497.3	150.9
2014	441.2	127.8
Domestic Market Segment		
2016	191.2	102.9
2015	187.4	107.3
2014	178.6	99.3
Other		
2016	24.8	-19.3
2015	6.7	-31.0
2014	7.2	-26.2

Active Chassis Fleet Composition



2016 Annual Report CEO Letter



2016 was a successful yet challenging year for TRAC – where we saw our Marine volumes decline and our Domestic volumes increase. The Marine market continues to evolve with steamship lines consolidating and one major line filing for bankruptcy and exiting the market. The Domestic market continues to perform well with above average growth as cargo is diverted from over the road trucking to Intermodal rail.

This past year, Revenue in our Marine segment decreased compared to the prior year and was primarily driven by lower usage volumes in our chassis pools. Similarly, the segment's Adjusted EBITDA declined versus the prior year due in part to lower revenues and the bankruptcy of a major shipping line customer. Revenue in our Domestic segment increased over the prior year which was primarily driven by volume growth. The segment's Adjusted EBITDA declined versus the prior year due in large part to higher direct operating costs.

We continue to generate strong cash flows and have successfully executed numerous programs that enable us to improve service and reduce our direct operating costs. We opened three new service centers in 2016, acquired Interstar emergency road service and launched mobile service units in several key intermodal locations.

In 2016, we maintained our position as North America's leading intermodal equipment provider and chassis pool manager and we are well positioned to take advantage of the growth opportunities we see in 2017. Our strategy is to continue providing exceptional service for our customers with high quality equipment that is available where and when they need it. We will continue to add "Like New" refurbished Marine chassis and "Like New" remanufactured Domestic chassis into our pools to ensure the highest levels of equipment quality. We are expanding our suite of product offerings and our Emergency Road Service program. We are investing in and re-engineering our Information Systems to expand chassis visibility, billing options and system flexibility to meet our customers evolving information needs.

I am proud of the accomplishments and dedication to supporting our customers that our TRAC team delivers every single day. In 2017, we will continue to raise the bar in providing high quality and innovative services to our customers and extending TRAC Intermodal's position as the leader in chassis provisioning for the intermodal industry.

Sincerely,

Keith Lovetro,
President and Cheif Executive Officer

TRAC Intermodal LLC and Subsidiaries

Consolidated Balance Sheets

At December 31, 2016 and 2015

(Dollars in Thousands)

	December 31	
	2016	**2015**
Assets		
Cash and cash equivalents	$ 15,620	$ 3,161
Accounts receivable, net of allowances of $14,043 and $12,454, respectively	96,898	110,662
Net investment in direct finance leases	11,306	12,797
Leasing equipment, net of accumulated depreciation of $482,104 and $452,962, respectively	1,408,370	1,435,978
Goodwill	256,815	251,907
Other assets	56,842	32,991
Total assets	$ 1,845,851	$ 1,847,496
Liabilities and member's interest		
Accounts payable	$ 15,345	$ 13,593
Accrued expenses and other liabilities	47,285	75,340
Deferred income taxes, net	147,765	127,580
Debt and capital lease obligations:		
Due within one year	9,173	41,396
Due after one year	1,088,228	1,039,283
Total debt and capital lease obligations	1,097,401	1,080,679
Less unamortized debt issuance costs	13,244	18,350
Total debt and capital lease obligations less debt issuance costs	1,084,157	1,062,329
Total liabilities	1,294,552	1,278,842
Redeemable indirect parent shares held by management	2,076	—
Commitments and contingencies *(Note 9)*	—	—
Member's interest:		
Member's interest	552,654	586,757
Accumulated other comprehensive loss	(3,431)	(18,103)
Total member's interest	549,223	568,654
Total liabilities and member's interest	$ 1,845,851	$ 1,847,496

See accompanying notes to the Consolidated Financial Statements.

TRAC Intermodal LLC and Subsidiaries

Consolidated Statements of Operations

For the Years Ended December 31, 2016, 2015 and 2014

(Dollars in Thousands)

	Year ended December 31		
Revenues:	**2016**	**2015**	**2014**
Equipment leasing revenue	$ 624,728	$ 661,247	$ 588,287
Finance revenue	1,390	1,536	2,111
Other revenue	43,085	28,641	36,590
Total revenues	669,203	691,424	626,988
Expenses:			
Direct operating expenses	373,966	377,715	333,135
Selling, general and administrative expenses	98,023	91,279	84,346
Depreciation expense	74,414	72,128	72,114
Provision (recovery) for doubtful accounts	7,812	(258)	14,007
Impairment of leasing equipment	13,917	7,277	5,855
Early retirement of leasing equipment	—	—	37,766
Restructuring expense	1,806	—	—
Loss on modification and extinguishment of debt and capital lease obligations	7,486	19,852	315
Interest expense	62,777	80,246	86,837
Interest income	(109)	(19)	(61)
Other income, net	(1,607)	(1,394)	(925)
Total expenses	638,485	646,826	633,389
Income (loss) before provision (benefit) for income taxes	30,718	44,598	(6,401)
Provision (benefit) for income taxes	10,793	17,880	(3,445)
Net income (loss)	$ 19,925	$ 26,718	$ (2,956)

See accompanying notes to the Consolidated Financial Statements.

TRAC Intermodal LLC and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2016, 2015 and 2014

(Dollars in Thousands)

	December 31		
	2016	**2015**	**2014**
Net income (loss)	$ 19,925	$ 26,718	$ (2,956)
Unrealized gain (loss) on derivative instruments, net of tax of $(3,061), $601 and $585, respectively	4,738	(923)	(899)
Derivative loss reclassified into earnings, net of tax of $(6,425), $(7,920) and $(7,265), respectively	9,934	12,257	11,025
Foreign currency translation gain (loss), net of tax of $(128), $636 and $364, respectively	—	(820)	(395)
Total other comprehensive income, net of tax	14,672	10,514	9,731
Total comprehensive income	$ 34,597	$ 37,232	$ 6,775

See accompanying notes to the Consolidated Financial Statements.

TRAC Intermodal LLC and Subsidiaries

Consolidated Statements of Member's Interest

For the Years Ended December 31, 2016, 2015 and 2014

(Dollars in Thousands)

	Member's Interest	Accumulated Other Comprehensive Loss	Total Member's Interest
Balance, December 31, 2013	$ 562,006	$ (38,348)	$ 523,658
Repurchase of shares from employees	(858)	—	(858)
Share-based compensation	810	—	810
Contribution from affiliate	13	—	13
Net loss	(2,956)	—	(2,956)
Other comprehensive income	—	9,731	9,731
Balance, December 31, 2014	$ 559,015	$ (28,617)	$ 530,398
Repurchase of shares from employees	(594)	—	(594)
Share-based compensation	625	—	625
Sale of Investment in indirect parent	993	—	993
Net income	26,718	—	26,718
Other comprehensive income	—	10,514	10,514
Balance, December 31, 2015	$ 586,757	$ (18,103)	$ 568,654
Repurchase of shares from employees	(306)	—	(306)
Share-based compensation	544	—	544
Dividend distribution	(51,145)	—	(51,145)
Modification of share-based awards	(2,501)	—	(2,501)
Revaluation of redeemable shares	(620)	—	(620)
Net income	19,925	—	19,925
Other comprehensive income	—	14,672	14,672
Balance, December 31, 2016	$ 552,654	$ (3,431)	$ 549,223

See accompanying notes to the Consolidated Financial Statements.

TRAC Intermodal LLC and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2016, 2015 and 2014

(Dollars in Thousands)

	Year ended December 31		
	2016	**2015**	**2014**
Cash flows from operating activities			
Net income (loss)	$ 19,925	$ 26,718	$ (2,956)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	74,477	72,227	72,365
Provision (recovery) for doubtful accounts	7,812	(258)	14,007
Amortization of deferred financing fees	3,876	6,760	6,763
Loss on modification and extinguishment of debt and capital lease obligations	7,486	19,852	315
Derivative loss reclassified into earnings	16,359	20,177	18,290
Ineffective portion of cash flow hedges	251	(85)	(84)
Impairment of leasing equipment	13,917	7,277	5,855
Early retirement of leasing equipment	—	—	37,766
Share-based compensation	1,821	625	810
Deferred income taxes, net	10,613	19,123	(4,351)
Other, net	(918)	(1,320)	(928)
Changes in assets and liabilities:			
Accounts receivable	7,573	24,405	(35,264)
Other assets	(2,471)	(906)	(1,013)
Accounts payable	(435)	(1,188)	2,689
Accrued expenses and other liabilities	(9,234)	(12,072)	24,285
Net cash provided by operating activities	151,052	181,335	138,549
Cash flows from investing activities			
Proceeds from sale of leasing equipment	4,156	11,528	8,265
Collections on net investment in direct finance leases, net of interest earned	2,945	3,665	4,622
Business acquisition	(4,791)	—	—
Proceeds from sale of other assets, net of other investing activity	—	2,056	—
Investment in direct finance leases	(1,276)	—	—
Purchase of leasing equipment	(79,967)	(75,357)	(149,376)
Purchase of fixed assets	(16,545)	(16,920)	(4,999)
Net cash used in investing activities	(95,478)	(75,028)	(141,488)
Cash flows from financing activities			
Proceeds from long-term debt	294,000	1,179,194	148,000
Repayments of long-term debt	(277,699)	(1,263,736)	(148,292)
Cash paid for debt issuance fees	(306)	(9,999)	(3,156)
Premium paid for redemption of notes	(5,775)	(12,375)	—
Sale of investment in indirect parent	—	993	—
Business acquisition contingent payment	(478)	—	—
Dividend paid	(51,145)	—	—
Repurchase of indirect parent shares from employees	(1,669)	(594)	(858)
Net cash used in financing activities	(43,072)	(106,517)	(4,306)
Effect of changes in exchange rates on cash and cash equivalents	(43)	(885)	(342)
Net increase (decrease) in cash and cash equivalents	12,459	(1,095)	(7,587)
Cash and cash equivalents, beginning of year	3,161	4,256	11,843
Cash and cash equivalents, end of year	$ 15,620	$ 3,161	$ 4,256
Supplemental disclosures of cash flow information			
Cash paid for interest	$ 46,865	$ 58,894	$ 61,609
Cash paid (refunded) for taxes, net	$ 214	$ (854)	$ 1,136

See accompanying notes to the Consolidated Financial Statements.

1. Description of the Business and Basis of Presentation

TRAC Intermodal LLC (the "Company" or "TRAC") is an intermodal chassis solutions provider for domestic and international transportation companies in North America. Its principal business is providing marine and domestic chassis on both long and short-term leases or rental agreements to a diversified customer base including the world's leading shipping lines, Class I railroads, major U.S. intermodal transportation companies and motor carriers.

The Company's fleet of equipment consists of marine and domestic chassis. These assets are owned, leased-in or managed by TRAC on behalf of third-party owners in pooling arrangements. As of December 31, 2016, the Company owned, leased-in or managed a fleet of approximately 303,246 chassis and units available for remanufacture. The net book value of the Company's owned equipment was approximately $1.42 billion.

TRAC is a Delaware limited liability company and TRAC Intermodal Corp. is a Delaware corporation, both of which were formed on July 12, 2012 to facilitate the issuance of $300,000 aggregate principle amount of 11% Senior Secured Notes (the "Original Notes"). The Company conducts its business through its 100% owned subsidiary, Interpool, Inc. ("Interpool") and its consolidated subsidiaries. To date, neither the Company nor TRAC Intermodal Corp. have conducted any activities other than those incidental to their formation and the preparation of the offering memorandum relating to the Original Notes and a prospectus relating to the exchange of the Original Notes for notes which have been registered under the Securities Act of 1933, as amended (the "Securities Act") pursuant to the terms set forth in the prospectus (the "Exchange Notes" and together with the Original Notes, the "Notes"). The Company has no operations of its own so it is dependent upon the cash flows of its subsidiaries to meet its obligations under the Notes. Since the proceeds from the Original Notes were used to repay debt owed by Interpool, an intercompany note was entered into between TRAC and Interpool with terms identical to the Notes. The proceeds from the intercompany note arrangement with Interpool provide the funds for TRAC to service the interest and debt payments due under the Notes.

Interpool, headquartered in Princeton, New Jersey, is a private company wholly-owned by TRAC, which is ultimately owned by Seacastle Inc. ("Seacastle"). Seacastle is owned by private equity funds that are managed by an affiliate of Fortress Investment Group LLC ("Fortress") and by employees of affiliates of Seacastle. Interpool was founded in 1968 as an operating lessor servicing the intermodal transportation equipment industry. Interpool was listed on The New York Stock Exchange as a public company in 1993 and was acquired and taken private by Seacastle in July 2007.

On February 29, 2016, TRAC Interstar LLC ("TRAC Interstar"), a newly formed, indirect wholly-owned subsidiary of the Company, acquired certain assets and assumed certain liabilities of the emergency road service business of Interstar Mobile, LLC and Interstar North America, Inc. (collectively "Interstar" and such acquisition and assumption, the "Interstar Acquisition") for a purchase price of $5,943 which includes a $1,000 earn-out provision based on future operating performance. The Company recorded $4,908 of goodwill related to the acquisition. Interstar, located in Kentucky, is a leading provider of road service repair solutions for both the intermodal and commercial trucking industries. The new entity, TRAC Interstar, combines a dispatch center and one of the Country's largest managed vendor networks and provides roadside repair services covering chassis, truck and trailer breakdowns 24 hours a day, 7 days a week, 365 days a year.

1. Description of the Business and Basis of Presentation (continued)

The accompanying Consolidated Financial Statements of TRAC and subsidiaries (the "Consolidated Financial Statements") have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The Company and its subsidiaries conduct business principally in one industry, the leasing of intermodal transportation equipment. The Company has two reportable segments, the Marine Market segment and the Domestic Market segment. The Marine Market and Domestic Market segments provide marine and domestic chassis to the world's leading shipping lines, motor carriers, major U.S. intermodal transportation companies and Class I railroads. The Company purchases equipment directly from manufacturers and shipping lines as well as through lease agreements, some of which qualify as capital leases. Primarily all of the Company's revenues and long-lived assets are attributable to the United States.

For the years ended December 31, 2016, 2015 and 2014, approximately 54%, 58% and 62%, respectively, of the Company's total revenues were earned from its top 25 customers. Beginning in 2011 and continuing to the present, certain of the Company's shipping line customers changed to a business model in which they no longer provide chassis to motor carriers. Therefore, the Company is leasing marine chassis directly to over 3,800 motor carriers whose per diem billing rates are generally higher than that of shipping lines and railroad customers. Motor carrier billings represented approximately 56%, 56% and 48% of the Company's total revenues for the years ended December 31, 2016, 2015 and 2014, respectively. As more shipping lines adopt this new business model, the Company anticipates growth in both the number of motor carrier customers and related billings.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Company's Consolidated Financial Statements include the accounts of the Company and its subsidiaries, all of which are 100% owned. All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and classification of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results may differ materially from those estimates.

2. Summary of Significant Accounting Policies (continued)

Risk and Uncertainties

In the normal course of business, the Company encounters two significant types of economic risk: credit and market.

Credit risk is the risk of a lessee's inability or unwillingness to make contractually required payments. The Company is subject to concentrations of credit risk with respect to amounts due from customers. The Company attempts to limit its credit risk by performing ongoing credit evaluations and, when deemed necessary, requires letters of credit, guarantees or collateral.

For the years ended December 31, 2016, 2015 and 2014, the Company earned approximately 38%, 41% and 45% of revenues from its top ten customers, respectively. The Company's largest customer accounted for approximately 8%, 7% and 6% of total revenues in 2016, 2015 and 2014, respectively. These revenues are included in the Domestic Market segment for 2016 and 2015 and the Marine Market segment for 2014. Based on balances due at December 31, 2016, the maximum amount of loss the Company would incur if this customer failed completely to perform according to the terms of their contracts would be $6,760. While the Company believes that it has properly reserved for uncollectible accounts receivable, it is possible that the Company may experience longer collection cycles. Although the Company is not dependent on any one customer for more than 8% of its revenue, deterioration in credit quality of several of the Company's major customers could have an adverse effect on its consolidated financial position and operating results. Management does not believe significant risk exists in connection with the Company's concentrations of credit as of December 31, 2016.

The Company also has a concentration of credit within its direct finance lease portfolio. The Company's top three customers account for $10,098, $12,197 and $14,592 of the outstanding principal at December 31, 2016, 2015 and 2014, respectively which represents approximately 89%, 95% and 90% of the outstanding principal in those years. The Company does not record an allowance for credit losses associated with direct finance leases. If any of these customers were to default, the Company would seek to recover the equipment securing the lease, often at fair market values in excess of the remaining receivable. Historically, the Company has not experienced losses related to direct finance leases and does not project future uncollectible amounts related to the principal balances receivable.

Market risk reflects the change in the value of derivatives and financings due to changes in interest rate spreads or other market factors, including the value of collateral underlying debt investments and financings. The Company believes that the carrying values of its investments and derivative obligations are reasonable taking into consideration these risks, along with estimated collateral values, payment histories and other relevant financial information.

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments. These instruments are stated at cost, which approximates market value because of the short-term nature of the instruments.

Direct Finance Leases

Direct finance 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. The Company generally bears greater risk in operating lease transactions (versus direct finance lease transactions) due to redeployment costs and related risks that are shifted to the lessee under a direct finance lease. Management performs annual reviews of the estimated residual values which can vary depending on a number of factors.

Leasing Equipment

Leasing equipment is primarily comprised of marine and domestic chassis. All equipment is recorded at cost and depreciated to an estimated residual value on a straight-line basis over the estimated useful life of the equipment.

Estimated useful lives and residual values have been principally determined based on the Company's historical disposal and utilization experience. The estimated useful lives and average residual values for the Company's Leasing equipment from the date of manufacture are as follows:

	Useful Lives (Years)	Residual Values (in Dollars)
Chassis	20.0-22.5	$2,600

The Company will continue to review its depreciation policies on a regular basis to determine whether changes have taken place that would suggest that a change in its depreciation policies, useful lives of its equipment or the assigned residual values is warranted.

The Company recognizes repair and maintenance costs that do not extend the lives of the assets as incurred and includes such costs in Direct operating expenses in the Consolidated Statements of Operations. Also included in Depreciation of leasing equipment is the depreciation on assets recorded under capital leases.

2. Summary of Significant Accounting Policies (continued)

Remanufacture / Refurbishment of Leasing Equipment

Chassis are long-lived assets, with an economic life of approximately 20 years for domestic chassis and 22.5 years for marine chassis. Older chassis can generally be remanufactured at the end of their useful life to provide 20 or more additional years of service rather than be replaced by new equipment. Remanufacturing provides a material cash savings compared to the cost of purchasing a new chassis**.** The remanufacturing process can bring an aged chassis up to a "like new" condition, and customers typically do not differentiate between new and remanufactured chassis. In addition to the cost savings, an additional benefit is that an older chassis can be remanufactured into any size unit, which provides excellent flexibility to meet demands of different equipment types as the market changes. Remanufacturing costs are capitalized and depreciated over the new useful life of the equipment. Remanufacturing costs capitalized totaled $30,771, $41,211 and $40,214 for the years ended December 31, 2016, 2015 and 2014, respectively.

Alternatively, chassis meeting certain age and condition criteria can be refurbished. Refurbishments reflect improvements that go beyond preventive maintenance and normal repairs, thus serving to increase the cash flow generating capability of the refurbished asset. Cash flows are enhanced through extending the useful life of the asset or otherwise altering its structural state to be more marketable. Refurbishment costs are capitalized and depreciated over the remaining / extended useful life of the equipment. Refurbishment costs capitalized totaled $22,115, $12,701 and $2,712 for the years ended December 31, 2016, 2015 and 2014, respectively.

Impairment of Leasing Equipment

In accordance with the *Property, Plant and Equipment* Topic of the Financial Accounting Standards Board, *Accounting Standards Codification*, (the "FASB ASC"), the Company reviews its leasing assets for impairment when events or changes in circumstances indicate that the carrying amount of the asset group as a whole may not be recoverable. If indicators of impairment are present, a determination is made as to whether the carrying value of the Company's fleet exceeds its estimated future undiscounted cash flows. Impairment exists when the carrying value of leasing assets taken as a whole exceeds the sum of the related undiscounted cash flows. The Company's review for impairment includes considering the existence of impairment indicators including third-party appraisals of its equipment, adverse changes in market conditions or the future utility of specific long-lived assets, shrinkage and the occurrence of significant adverse changes in general industry and market conditions that could affect the fair value of its equipment.

When indicators of impairment suggest that the carrying value of its leasing assets may not be recoverable, the Company determines whether the impairment recognition criteria have been met by evaluating whether the carrying value of the leasing assets taken as a whole exceeds the related undiscounted future cash flows expected to result from the use and eventual disposition of the asset group. The preparation of the related undiscounted cash flows requires the use of assumptions and estimates, including the level of future rents, and the residual value expected to be realized upon disposition of the assets, estimated downtime between re-leasing events and the amount of re-leasing costs.

2. Summary of Significant Accounting Policies (continued)

If the Company determines that the carrying value may not be recoverable, it will assess the fair value of the assets. In determining the fair value of the assets, the Company considers market trends, published values for similar assets, recent transactions of similar assets and quotes from third-party appraisers. If the carrying amount of an asset group exceeds its fair value, an impairment charge is recognized in the amount by which the carrying amount of the asset group exceeds the fair value of the asset group.

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. In accordance with the *Property, Plant and Equipment* Topic of the FASB ASC, the Company reduces the carrying amount for property and equipment that has been impaired to the estimated fair value at the impairment date. Property and equipment is included in Other assets in the Consolidated Balance Sheets. The Company capitalizes significant improvements and 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; capitalized development costs for internal use software—7 years; and other property and equipment—3 to 10 years.

Capitalized Software

In accordance with FASB ASC Topic 350-40 *"Internal Use Software",* the Company capitalizes certain computer software and software development costs incurred in connection with developing or obtaining computer software for internal use when both the preliminary project stage is completed and it is probable that the software will be used as intended. Capitalized software costs include only (i) external direct costs of materials and services utilized in developing or obtaining computer software, (ii) compensation and related benefits for employees who are directly associated with the software project and (iii) interest costs incurred while developing internal-use computer software. Capitalized software costs are included in Other assets in the Consolidated Balance Sheets and amortized on a straight-line basis when placed into service over the estimated useful lives of the software, approximately 7 years.

Goodwill

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. In accordance with the *Intangibles—Goodwill and Other* Topic of the FASB ASC, goodwill is not amortized, but instead is tested for impairment at the reporting unit level annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Management has determined that there are two reporting units, the Marine Market segment and the Domestic Market segment. For the purpose of testing goodwill for impairment, the goodwill balance has been assigned to these two reporting units using a relative fair value allocation approach.

2. Summary of Significant Accounting Policies (continued)

The Company evaluates the recoverability of goodwill using a two-step impairment test approach. In the first step, the reporting units' fair value is compared to its carrying value including goodwill. Fair value of the reporting unit is estimated using a discounted cash flow analysis which is based on current operating budgets and long-range projections. The assumptions for the projections are based on management's historical experience, as well as their future expectations of market conditions. Estimated cash flows are discounted based on market comparable weighted-average cost of capital rates derived from the capital asset pricing model. The inputs to the model were primarily derived from publicly available market data. Although management uses the best estimates available, if actual results fall below the estimated budgets and long range projections used for the fair value calculation or cost of capital rates differ from the inputs used to calculate discounted cash flow, a different outcome could result.

If the fair value of the reporting unit is less than the carrying value, a second step is performed which compares the implied fair value of the reporting units' goodwill to the carrying value of the goodwill. The implied fair value of the goodwill is determined based on the difference between the fair value of the reporting unit and the net fair value of the identifiable assets and liabilities. If the implied fair value of the goodwill is less than the carrying value, the difference is recognized as an impairment charge.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other gains and losses, net of tax, if any, affecting Member's interest that, under U.S. GAAP, are excluded from net income. Such amounts include the changes in the fair value of derivative instruments, reclassification into earnings of amounts previously deferred relating to derivative instruments and foreign currency translation gains and losses primarily relating to the Company's Canadian and Mexican operations.

Share-Based Compensation

Certain key employees are the recipients of employment agreements that have restricted stock benefits. The Company has recognized compensation expense relating to these share-based awards in the Consolidated Statements of Operations based upon the fair value of the equity instruments at the time they were issued. The Company uses a straight-line method of accounting for the compensation expense on share-based payment awards that contain pro rata vesting provisions with the compensation expense recognized as of any date being at least equal to the portion of the grant-date fair value that is vested at that date. The Company expects to settle with affiliates all management fees, including these awards, in cash.

2. Summary of Significant Accounting Policies (continued)

Foreign Currency Translation

The net assets and results of operations of the Company's foreign operations (primarily Canada) have been translated at the rates of exchange in effect at the respective period end for the Consolidated Balance Sheets and at a weighted-average of the exchange rates for the respective period for the Consolidated Statements of Operations. The effects of changes in exchange rates in translating the financial statements of foreign subsidiaries are included in the Consolidated Statements of Comprehensive Income and in Accumulated other comprehensive loss ("AOCI") on the Consolidated Balance Sheets. The Company has determined that the U.S. dollar is its functional currency; therefore, all gains and losses resulting from translating foreign currency transactions into the functional currency are included in income.

Management Services

In addition to leasing equipment, which the Company owns or finances through capital lease obligations, the Company's customers are turning to outside service companies to help them manage chassis that they own and lease. The Company offers management services through an internally developed proprietary software system, known as "PoolStat®". During the period that the Company is managing the equipment for its customers, the Company earns a management fee. This fee income is recognized as services are rendered and is included in Other revenue in the Consolidated Statements of Operations.

Derivative Instruments and Hedging Activities

The Company accounted for derivative instruments in accordance with the *Derivatives and Hedging* Topic of the FASB ASC. The FASB ASC requires that all derivative instruments be recorded on the balance sheet at their fair value and establishes criteria for both the designation and effectiveness of hedging activities.

The Company had entered into derivative instruments in the form of interest rate swaps, which were used to reduce its interest rate risk. Through these interest rate swaps, the Company received floating rate payments in exchange for fixed rate payments, effectively converting its floating rate debt to a fixed rate. As a matter of policy, the Company does not enter into derivative instruments for speculative purposes.

2. Summary of Significant Accounting Policies (continued)

The manner in which a derivative instrument is recorded depends on whether it qualifies for hedge accounting. The Company applied hedge accounting and designated and accounted for its interest rate swap contracts as cash flow hedges. For effective cash flow hedges, changes in fair value were deferred and recorded in AOCI in the Consolidated Balance Sheets. The ineffective portion of cash flow hedges was recognized in earnings immediately and recorded in Interest expense in the Consolidated Statements of Operations. On August 9, 2012, in connection with the closing of the sale of the Original Notes and the asset based senior secured credit agreement (the "ABL Facility") and the repayment of the $630,000 senior secured credit agreement with BNP Paribas CC, Inc. (f/k/a Fortis Capital Corp.) and a group of lenders with Fortis acting as the agent entered into on July 10, 2008 (the "Fortis Facility"), the Company terminated all of its interest rate derivatives. Balances in Accumulated other comprehensive loss for terminated derivatives are being reclassified into earnings over the remaining life of the item previously hedged. Terminated interest rate derivatives are reviewed periodically to determine if the forecasted transactions remain probable of occurring. If the forecasted transactions were deemed remote, the related portion of the gain or loss associated with the terminated derivative included in AOCI would be recognized in the Consolidated Statement of Operations immediately. On January 10, 2013, the Company entered into an interest rate swap transaction with Deutsche Bank AG. Additionally in February 2016, the Company entered into three additional swap transactions, two with Deutsche Bank AG and one with PNC Bank. See Notes 8, 11, 16 and 18 for further information.

Revenue Recognition

The Company's primary sources of equipment leasing revenue are derived from operating leases and revenue earned on direct finance leases.

Revenue Recognition—Equipment Leasing Revenue

The Company generates equipment leasing revenue through short-term and long-term operating leases, principally with shipping lines and North American rail and trucking companies. In the majority of its transactions, the Company acts as the lessor of leasing equipment for a specified period of time and at a specified per diem rate. Revenue is recognized on a straight-line basis over the life of the respective lease for term leases. Subscription agreements typically contain periodic pricing and minimum chassis usage reset features. Revenue associated with such agreements is recognized on a straight line basis for committed quantities at contractual rates.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition—Finance Revenue

The Company enters into direct finance leases as lessor of equipment that it owns. In most instances, the leases include a bargain purchase option which allows the customer to purchase the leased equipment at the end of the lease term. Net investment in direct finance leases represents the receivables due from lessees, net of unearned income. The lease payments are segregated into principal and interest components similar to a loan. Unearned income is recognized on an effective interest basis over the life of the lease term and is recorded as Finance revenue in the Consolidated Statements of Operations. The principal component of the lease payment is reflected as a reduction to the Net investment in direct finance leases.

Revenue Recognition—Other Revenue

Other revenue includes fees that the Company's customers are contractually obligated to pay to return equipment to a leasable condition, fees for third-party positioning of equipment and scrap revenue generated from end of life chassis. When a lessee leases equipment from the Company, the lessee is contractually obligated to return the equipment in a leasable condition according to predetermined standards. Upon redelivery of the units, the Company charges the lessee for the expected cost to repair the equipment based on a repair survey performed at the depot. The Company charges the lessee based on this estimate and records maintenance and repair revenue at that time. In accordance with the *Revenue—Revenue Recognition—Principal Agent Considerations* Topic of the FASB ASC, the Company recognizes billings to customers for damages incurred and certain other pass-through costs as Other revenue in the Consolidated Statements of Operations. The Company recognizes gross revenues from these pass-through costs as the Company is the primary obligor with respect to purchasing goods and services from third parties. The Company generally has the discretion in selection of the repair service provider and the Company generally has the credit risk because the services are purchased prior to reimbursement being received. In addition, Other revenue includes fees earned for providing chassis pool management services. Revenue is recognized as services are rendered.

Direct Operating Expenses

Direct operating expenses are primarily related to costs incurred in relation to leasing equipment that is not being leased to a third-party and for equipment in the Company's chassis pools. These expenses primarily consist of costs to repair and maintain the equipment, to store the equipment when it is not on lease, to reposition the equipment for pick-up by a customer, and equipment rental related costs to meet customer demand. Costs to reposition the equipment incurred prior to the initial lease of the equipment are capitalized as a cost of the asset acquisition.

2. Summary of Significant Accounting Policies (continued)

Provision for Doubtful Accounts

The Company determines the provision for doubtful accounts based on its assessment of the collectability of its receivables. The Company identifies these accounts based on two methods: (1) a customer-by-customer basis and (2) an allowance method. In the first method, the Company reviews certain accounts based on size, payment history and third-party credit reports and places a likelihood of default percentage on each account individually. For the remaining receivable balance, the Company applies a delinquency factor based on prior history which represents the Company's best estimate of those accounts that will become uncollectible. Changes in economic conditions and trends may require a re-assessment of the risk and could result in increases or decreases in the allowance for doubtful accounts.

Sales of Leasing Equipment

Sales of leasing equipment consist of sales of equipment to third parties, as well as billings to customers for lost or damaged equipment. The Company records the gains and losses from the sales of leasing equipment as part of Other income, net in the Consolidated Statements of Operations. Gains and losses are recognized upon completion of the sale based upon the sales price and the book value of the equipment. For the years ended December 31, 2016, 2015 and 2014, the Company recorded net gains of $933, $1,327 and $928, respectively.

Provision (Benefit) for Income Taxes

The Company is a Limited Liability Company with a single member and therefore is disregarded for U.S. income tax purposes. However, its 100% owned subsidiary, Interpool, Inc. and its U.S. consolidated subsidiaries, are subject to U.S. income taxes.

Income taxes have been provided based upon the tax laws and rates in countries in which the Company's operations are conducted and income is earned. The Company's chassis leasing business is domiciled in the United States and, therefore, its income is subject to United States taxation. The provision (benefit) for income taxes recorded relates to the income earned by certain of the Company's subsidiaries, which are located in or have earned income in jurisdictions that impose income taxes, primarily in the United States. The Company is also subject to income tax in Canada and Mexico.

New Accounting Standards

Adopted in 2016

In August 2016, the FASB issued authoritative guidance on accounting for *Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments*: ("ASU 2016-15"). The standard provides guidance on eight specific cash flow items and their classifications in the statement of cash flows thereby reducing the current and potential future diversity in practice. The amendments in this update are effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. Early adoption is permitted, provided that all of the amendments are adopted in the same period. The adoption of this standard in 2016 did not have any impact on the Company's Consolidated Financial Statements.

2. Summary of Significant Accounting Policies (continued)

Pending Adoption

In May 2014, the FASB issued authoritative guidance on accounting for *Revenue from Contracts with Customers (Topic 606):* (“ASU 2014-09”). This update supersedes most of the current revenue recognition requirements. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. New disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required. This guidance was effective for fiscal years and interim periods beginning after December 15, 2016 and early application was not permitted. However, on July 9, 2015, the FASB decided to delay the effective date by one year. The deferral results in the new revenue standard being effective for fiscal years and interim periods beginning after December 15, 2017. The FASB also decided to allow early adoption but no earlier than the original effective date of December 15, 2016. Entities must adopt the new guidance using one of two retrospective application methods. We established a team comprised of people that are familiar with the contracts we have with our customers within each of our segments. We are in the process of performing a preliminary analysis with regard to such contracts to evaluate the potential effect of the new standard and related disclosures, as well as which transition method we will elect. We will continue to review the terms of such contracts to determine if material differences exist under the new standard versus our existing revenue recognition policy, and will update our disclosure as material changes, if any, are identified.

On February 25, 2016, the FASB issued authoritative guidance on accounting for *Leases (Topic 842):* (“ASU 2016-02”). The FASB is issuing this update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Entities are required to adopt this guidance using a modified retrospective approach. The Company is currently evaluating the standard to determine the impact of its adoption on the Consolidated Financial Statements.

In March 2016, the FASB issued authoritative guidance on accounting for *Compensation—Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting:* (“ASU 2016-09”). The amendments in this update affect all entities that issue share-based payment awards to their employees. The new guidance requires excess tax benefits and tax deficiencies to be recorded in the income statement when the awards vest or are settled. In addition, cash flows related to excess tax benefits will no longer be separately classified as a financing activity apart from other income tax cash flows. The standard also allows entities to repurchase more of an employee’s shares for tax withholding purposes without triggering liability accounting, clarifies that all cash payments made on an employee’s behalf for withheld shares should be presented as a financing activity on the cash flow statement, and provides an accounting policy election to account for forfeitures as they occur. The amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. The adoption of this standard in 2017 will not have a significant impact on the Company’s Consolidated Financial Statements.

No other new accounting pronouncements issued or effective during 2016 had or are expected to have a material impact on the Company’s Consolidated Financial Statements.

(Dollars in Thousands, Except for Share Amounts)

3. Leasing Activity

The Company's term leases are typically "triple net," requiring the lessee to maintain, insure and pay taxes on the equipment until return, at no cost to the lessor. Typical term lease provisions allocate all risk of loss to the lessee, requiring the lessee to indemnify the lessor against all risks, claims, or causes of actions arising from the leasing, operation, maintenance, repair, possession or control of the equipment. The Company also leases chassis through its network of chassis pools located throughout the United States. The cost of maintaining chassis in these pools is borne by the Company. The lessee is responsible for compliance with all laws and regulations, including all environmental risk. The lessee is further responsible for loss or damage to the equipment, however caused, subject to normal wear or tear. The lessee must defend and hold harmless the lessor in the event of any claims for loss or damage to the equipment, cargo, or third parties occurring while leased. The lease terms that are variable, and can change based on the lease type, are the per diem rates, the length of the lease and the redelivery locations and quantities that may be redelivered to such locations. However, the general governing terms and conditions of the lease remain the same whether the lease is short-term, long-term or a direct finance lease, and whether the lease is for the initial term or a renewal. Multiple contracts with a single lessee are not combined and are accounted for as separate arrangements. The Company had no amounts of contingent rental in any period presented.

The Company has non-cancelable operating leases for its leasing equipment. At December 31, 2016, future minimum lease revenue under these agreements is estimated as follows:

2017	$ 67,054
2018	28,832
2019	25,792
2020	20,666
2021	16,726
Thereafter	334
	$ 159,404

Finance Revenue

The Company enters into direct finance leases. These leases generally provide that, after a stated lease term, the lessee has the option to purchase the equipment, typically for amounts below the estimated fair market value of the equipment, at the time the purchase option becomes exercisable. Guaranteed and unguaranteed residual values are included in Net investment in direct finance leases on the Consolidated Balance Sheets. Under the terms of these leases, the substantive risks and rewards of equipment ownership are passed to the lessee. The lease payments are segregated into principal and interest components similar to a loan. The principal component is equal to the cost or carrying amount of the leased property. The interest component is equal to the gross cash flows charged to the lessee less the principal component. The Company recognizes the interest component, which is calculated using the effective interest method over the term of the lease as finance revenue. The principal component of the lease payment is reflected as a reduction to Net investment in direct finance leases.

(Dollars in Thousands, Except for Share Amounts)

3. Leasing Activity

As of December 31, 2016 and 2015, the Company had guaranteed and unguaranteed residual values for leasing equipment on direct finance leases of $8,656 and $8,673, respectively.

At December 31, 2016, receivables under these direct finance leases are collectible through 2022 as follows:

	Total Lease Receivables	Unearned Lease Income	Net Lease Receivables
2017	$ 10,967	$ 692	$ 10,275
2018	713	194	519
2019	324	67	257
2020	216	27	189
2021	63	4	59
Thereafter	7	—	7
	$ 12,290	$ 984	$ 11,306

As of December 31, 2015, the Company had total lease receivables, unearned lease income and net lease receivables of $14,330, $1,533 and $12,797, respectively. The unguaranteed residual values are reflected in "Total Lease Receivables" above.

Historically, the Company has not experienced losses related to direct finance leases and does not project future uncollectible amounts related to the principal balances receivable. If customers were to default, the Company would seek to recover the equipment securing the lease, often at fair market values in excess of the remaining receivable.

4. Leasing Equipment

The following is a summary of leasing equipment recorded on the Consolidated Balance Sheets:

	December 31	
	2016	2015
Total leasing equipment	$ 1,890,474	$ 1,888,940
Less accumulated depreciation	(482,104)	(452,962)
Leasing equipment, net of accumulated depreciation	$ 1,408,370	$ 1,435,978

Leasing equipment includes assets recorded under capital leases of $22,008 and $121,817 with accumulated depreciation of $6,777 and $46,304 at December 31, 2016 and 2015, respectively.

(Dollars in Thousands, Except for Share Amounts)

4. Leasing Equipment (continued)

In conjunction with the analysis of the Company's fleet in the second quarter of 2014, discussed below, management performed a review of the estimated useful life of its domestic chassis, currently at 17.5 years, versus marine chassis at 22.5 years. Such analysis involved inspections of a sampling of 53' chassis located across the United States for the purpose of evaluating their physical condition to assess future operating potential, allowing for normal maintenance and repair over the extended life. Based on such review, management believes extending the useful life of its domestic chassis fleet to 20 years is appropriate and better reflects its expected service life. Accordingly, this change in accounting estimate took effect as of April 1, 2014 and had the effect of reducing depreciation expense and increasing pre-tax income for the nine months ended December 31, 2014 by approximately $3,931.

Impairment of Leasing Equipment

The Company periodically analyzes the usability of leasing equipment at remanufacturing facilities, depots and other storage facilities. Certain leasing equipment is rejected in the remanufacturing process due to rust and corrosion or if otherwise determined to be unusable for future remanufacturing. Additionally, due to the frequent movement of the Company's assets in its operations, its chassis and axles are subject to shrinkage. Impairment charges are recorded based on management's ongoing analysis of the impairment indicators described in Note 2, and include estimates of shrinkage and other charges based on recent historical experience. Impairment of leasing equipment amounted to $13,917, $7,277 and $5,855 for the years ended December 31, 2016, 2015 and 2014, respectively.

The following is a summary of the Company's impairment charges recorded for the years ended December 31, 2016, 2015 and 2014 by category:

	December 31		
	2016	2015	2014
Shrinkage	$ 1,811	$ 1,102	$ 218
Corroded/Unusable	6,406	4,128	2,527
Impairment	5,700	2,047	3,110
Total impairment of leasing equipment	$ 13,917	$ 7,277	$ 5,855

Early Retirement of Leasing Equipment

During the second quarter of 2014, management recommended the retirement of identified excess and other non-standard chassis residing at depots and chassis pools, in addition to certain axle sets residing at depots. Management's action was largely influenced by the consummation of the last of several shipping line deals or conversions to the "motor carrier" model during the quarter, whereby chassis owned or leased by the shipping line are sold or returned to the Company to be managed in its marine chassis pools. Having bid on and being awarded such deals has profound implications on the Company's fleet size, utilization model, and customer base.

4. Leasing Equipment (continued)

Chassis Retirements

As a result of the continuing shift in the Company's business model and the significant impact of consummating deals during the second quarter of 2014, management developed a multi-year fleet requirements projection for its Marine Market segment which considered relevant factors such as market growth, the current performance of the marine chassis pools and utilization under pool versus term arrangements among other factors. Based on such analysis, the Company determined it had an excess amount of chassis in its Marine Market segment, specifically 20' chassis and to a lesser degree 40' chassis. Other non-standard type chassis were similarly considered for retirement given the significant influx of assets associated with the shipping line chassis purchases. Total charges incurred during the second quarter of 2014 associated with retiring approximately 11,000 identified chassis amounted to $14,766.

Axle Retirements

Retiring approximately 11,000 chassis will produce an almost equivalent number of axle sets available for the future remanufacturing of chassis. Accordingly, management performed a similar review of the types, quality and quantity of axle sets residing at depots and identified certain types, such as German and Square axles, which are deemed to be less cost effective to remanufacture or repair due to the difficulty of obtaining spare parts. Accordingly, approximately 9,000 axle sets have been written-off in the second quarter of 2014 amounting to $23,000. Axles are not assigned to the Company's reportable segments. The value of idle chassis and axle sets are included in Leasing equipment in the Other category in the Company's segment disclosure.

The total of the above retirement charges of $37,766 is recorded in Early retirement of leasing equipment in the Consolidated Statements of Operations.

5. Capitalized Software Development Costs

In 2014, the Company's Investment Committee approved the proposal to replace its principal operating and financial reporting systems, named "Project Helix" to provide more functional capabilities necessitated by new business requirements emerging from the industry shift to the motor carrier model. In conjunction with application development efforts from project approval in 2014 through December 31, 2016, the Company capitalized $23,398 of eligible costs in accordance with ASC 350-40, *Internal-Use Software.* The amounts capitalized at December 31, 2016 and 2015 were $23,398 and $9,675, respectively and are included in Other assets in the Consolidated Balance Sheet. Once the software is substantially complete and ready for its intended use, capitalization will cease. Capitalized software costs will be amortized on a straight-line basis over seven years, the estimated useful life of the software.

(Dollars in Thousands, Except for Share Amounts)

6. Goodwill

Management has determined that the Company has two reporting units, the Marine Market segment and the Domestic Market segment. For the purpose of testing goodwill for impairment, the goodwill balance of $256,815 has been assigned to these two reporting units using a relative fair value allocation approach. The goodwill balance for the Marine Market segment was $134,730 at December 31, 2016 and $134,019 at December 31, 2015. The goodwill balance for the Domestic Market segment was $122,085 at December 31, 2016 and $117,888 at December 31, 2015. At December 31, 2016, there are no accumulated impairment losses related to Goodwill. Based upon the annual assessment of goodwill, the Company concluded that no impairment existed during the years ended December 31, 2016, 2015 and 2014.

The increase in goodwill in 2016 is due to the Interstar Acquisition on February 29, 2016 for a purchase price of $5,943. The acquisition was facilitated through TRAC Interstar, a newly formed, indirect wholly-owned subsidiary of the Company. The Company recorded $4,908 of goodwill related to the acquisition.

7. Borrowings

The following is a summary of the Company's borrowings:

	December 31			
	2016		2015	
	Debt Instrument	Debt Issuance Cost	Debt Instrument	Debt Issuance Costs
Senior Secured 11% Notes	$ 45,000	$ 593	$ 150,000	$ 2,746
ABL Facility	1,032,000	12,636	867,000	15,585
Loans Payable CIMC	11,989	13	14,519	16
Capital lease obligations	8,412	2	49,160	3
Total	1,097,401	$ 13,244	1,080,679	$ 18,350
Less current maturities	(9,173)		(41,396)	
Long-term debt, less current maturities	$ 1,088,228		$ 1,039,283	

The Company's debt consisted of notes, loans and capital lease obligations payable in varying amounts through 2021, with a weighted-average interest rate of 4.05%, 5.37% and 5.78% for the years ended December 31, 2016, 2015 and 2014, respectively. The weighted-average interest rates disclosed are calculated as "all-in" rates which include interest expense and amortization of agents' fees and deferred financing fees.

7. Borrowings (continued)

Senior Secured 11% Notes

On August 9, 2012, TRAC along with TRAC Intermodal Corp., sold $300,000 aggregate principal amount of Notes, issued at par in a private transaction. The Notes mature on August 15, 2019, with interest payable semi-annually beginning on February 15, 2013. The Notes are secured on a second-priority lien basis. Collateral generally consists of cash, owned chassis, accounts receivable, and investment property of the guarantors including, with limitations, the equity of the non-guarantors. The Company may redeem some or all of the Notes at any time on or after August 15, 2015 at the redemption prices set forth in the Notes plus accrued and unpaid interest, if any, to the redemption date. If the Company experiences certain kinds of changes in control, the Company must offer to purchase the Notes at a price equal to 101% of the principal amount of the Notes plus accrued and unpaid interest, if any, to the redemption date. Holders of the Notes will have the option to redeem their Notes for 101.0% of principal upon a change of control as defined by the Notes and upon the Company's collateral or non-collateral asset sales as defined in the Notes, at a redemption price of 100.0%.

TRAC has no operations of its own so it is dependent upon the cash flows of its subsidiaries to meet its obligations under the Notes. Since the proceeds from the Notes were used to repay debt owed by Interpool, an intercompany note was entered into between TRAC and Interpool with terms identical to the Notes. The servicing of the intercompany note arrangement by Interpool provides the funds for TRAC to service the interest and debt payments due under the Notes.

The indenture governing the Notes also contains various restrictive covenants, including limitations on the payment of dividends and other restrictive payments, the prepayment of existing indebtedness, limitations on incurrence of indebtedness, investments, creation of liens and limitations on asset sales. The proceeds from the offering of the Notes were used to repay existing indebtedness of Interpool, including interest rate swap liabilities, and for general corporate purposes. The Company incurred approximately $9,555 in fees and expenses related to the note offering. These fees and expenses are classified as deferred financing fees and reflected as a deduction from the carrying amount of the debt liability. These fees are being amortized into interest expense over the seven-year term of the Notes.

On August 17, 2015, the Company borrowed $176,000 under its ABL Facility which carries an interest rate of one-month LIBOR + 2.25% and matures on December 10, 2020, which is the maturity date of the ABL Facility. The funds were used to finance the redemption of $150,000 in aggregate principal amount of the outstanding Notes at a redemption price equal to 108.250 of such aggregate principal amount. Approximately $162,375 was paid to redeem the Notes, $150,000 aggregate principal amount and a premium of $12,375. Additionally, approximately $3,058 of deferred financing fees were expensed upon redemption.

7. Borrowings (continued)

On March 7, 2016, the Company announced its proposed offering of $485,000 aggregate principal amount of senior secured notes due 2021. Subsequently on March 22, 2016, the Company decided that due to current market conditions, it would not proceed with its proposed offering. As a result, during the year ended December 31, 2016, the Company expensed approximately $1,603 of accumulated costs related to the offering. These costs are included in Selling, general and administrative expenses in the Consolidated Statement of Operations.

On August 15, 2016, the Company borrowed $80,000 under its ABL Facility which carries an interest rate of one-month LIBOR + 2.00% and matures on December 10, 2020, which is the maturity date of the ABL Facility. The funds were used to finance the redemption of $80,000 in aggregate principal amount of its outstanding Notes at a redemption price equal to 105.500 percent of such aggregate principal amount. Approximately $84,400 was paid to redeem the Notes, $80,000 aggregate principal amount and a premium of $4,400. Additionally, $1,206 of deferred financing fees related to the Notes were expensed upon redemption.

On December 28, 2016, the Company borrowed $25,000 under its ABL Facility which carries an interest rate of one-month LIBOR + 2.00% and matures on December 10, 2020, which is the maturity date of the ABL Facility. The funds were used to finance the redemption of $25,000 in aggregate principal amount of its outstanding Notes at a redemption price equal to 105.500 percent of such aggregate principal amount. Approximately $26,375 was paid to redeem the Notes, $25,000 aggregate principal amount and a premium of $1,375. Additionally, $329 of deferred financing fees related to the Notes were expensed upon redemption.

The aggregate principal amount of Notes outstanding was $45,000 and $150,000 at December 31, 2016 and 2015. The weighted-average interest rates including amortized debt issuance fees for the years ended December 31, 2016, 2015 and 2014 was 11.54%, 11.53% and 11.54%, respectively.

On February 27, 2017, the Company borrowed $19,000 under its ABL Facility to partially finance the redemption of an additional $25,000 in aggregate principal amount of its Notes. See Note 20.

The Company has analyzed each of the redemption features included in the Notes to determine whether any of these embedded features should be bifurcated in accordance with the *Derivatives and Hedging* Topic of the FASB ASC (ASC 815). The Company has concluded that the redemption feature which offers optional redemption by the Company of up to 35% of the aggregate principal amount of the Notes at a redemption price of 111% of the aggregate principa1 amount of the Notes using the cash proceeds of an equity offering qualifies as a feature that should be bifurcated under ASC 815. The Company has determined that the resulting measurement of the fair value of this derivative is immaterial to the consolidated financial statements, and will reassess the fair value of this derivative each reporting period with any changes recorded in earnings.

7. Borrowings (continued)

ABL Facility

Concurrent with the closing of the sale of the Original Notes, Interpool together with certain of its subsidiaries, and TRAC and TRAC Intermodal Corp entered into the ABL Facility, a $725,000 asset-based, senior secured credit agreement, with JPMorgan Chase Bank, N.A. and a group of lenders, with JPMorgan Chase Bank, N.A. acting as administrative agent. In connection with the ABL Facility, the Company pledged certain rental fleet assets, accounts receivable and various other assets for the benefit of the lenders as collateral security for the payment and performance of the Company's obligations under the ABL Facility and related loan documents.

From December 2012 to December 2014 the ABL Facility was amended numerous times, each time increasing the revolving commitment. During this time, the revolving commitment was increased from $725,000 at December 31, 2012 to $1.25 billion at December 31, 2014. Fees paid in connection with these amendments totaled $3,113. These fees were classified as deferred financing fees and are reflected as a deduction from the carrying amount of the debt liability. These fees are being amortized into interest expense over the remaining term of the ABL Facility.

Additionally, on April 15, 2014, the Company entered into an agreement with its lenders to amend the ABL Facility. The interest rate on the ABL Facility was decreased to LIBOR plus 2.25% from LIBOR plus 2.75%. Fees paid in connection with this amendment were $1,880. These fees were classified as deferred financing fees and are reflected as a deduction from the carrying amount of the debt liability. These fees are being amortized over the remaining life of the loan. A Current Report on Form 8-K was filed with the SEC on April 18, 2014 in connection with the amendment.

Amendments to ABL Facility 2015

On August 11, 2015, Interpool entered into Amendment No. 3 to Interpool's existing asset backed credit agreement, with the loan parties listed therein, the lenders named therein and the JPMorgan Chase Bank as Administrative Agent. Pursuant to Amendment No. 3, the definition of "Payment Conditions" was amended by modifying the calculation used for purposes of determining the amount of any permitted acquisition, investment, asset sale and restricted payment the Company may make as well as any indebtedness the Company may prepay under the Credit Agreement. Under Amendment No. 3, the aggregate total revolving commitment available under the ABL Facility was also increased from $1.25 billion to $1.40 billion.

In addition, on August 11, 2015, Interpool entered into an incremental facility amendment (the "August 2015 Incremental Amendment") to the Credit Agreement. Pursuant to the August 2015 Incremental Amendment, Interpool obtained additional revolving commitments under the ABL Facility through its Administrative Agent from Citibank, N.A., as a new lender in the amount of $100,000 and from existing lender, City National Bank, in the amount of $9,000. Three existing lenders, Bank of America, N.A., JPMorgan Chase Bank, N.A. and Deutsche Bank AG New York Branch reduced their commitments by $22,750, $22,750 and $13,500, respectively resulting in an aggregate increase in revolving commitments of $50,000. As a result of the August 2015 Incremental Amendment, lenders have committed to an aggregate total revolving commitment under the Credit Agreement of $1.30 billion.

7. Borrowings (continued)

In accordance with FASB ASC Topic 470-50, *Modifications and Extinguishments of Debt*, the Company evaluated the accounting for financing fees on a lender by lender basis. Since three lenders reduced their commitments under the ABL Facility, the Company recognized a loss on modification of debt of $739. This amount is recorded in Loss on modification and extinguishment of debt and capital lease obligations in the Consolidated Statement of Operations. Additionally, costs incurred in connection with the Amendment No. 3 and the August 2015 Incremental Amendment for commitment, arrangement and other fees were approximately $749. These fees are classified as deferred financing fees and reflected as a deduction from the carrying amount of the debt liability. These fees will be amortized into interest expense over the remaining term of the ABL Facility.

On December 10, 2015, Interpool entered into Amendment No. 4 to the Company's existing asset based credit agreement among the loan parties listed therein, the lenders named therein, and Bank of America, N.A., as successor administrative agent (as successor in interest to JPMorgan Chase Bank, N.A.). Under Amendment No 4, the percentage per annum for alternative base rate loans (the "ABR Rate") and Eurodollar loans (the "Eurodollar Rate") was lowered from 1.25% to 1.00% and from 2.25% to 2.00%, respectively, until December 10, 2016, the first anniversary of the date of Amendment No. 4. Thereafter, the ABR Rate and the Eurodollar Rate each will be subject to increases or decreases based on average daily availability during the most recently ended fiscal quarter to a range of between 1.25% and 0.75% and between 2.25% and 1.75%, respectively. In addition, certain financial and negative covenants were relaxed and the definition of "Payment Conditions" was amended by modifying the calculation used for purposes of determining the amount of any permitted acquisition, investment, asset sale and restricted payment the Company may make as well as any indebtedness the Company may prepay. Under the Amendment No. 4, the maximum total revolving commitment under the Credit Agreement was increased from $1.40 billion to $1.50 billion and the maturity date of the revolving credit facility was extended from August 9, 2017 to December 10, 2020. Finally, the lenders party to the Credit Agreement appointed Bank of America, N.A., as Administrative Agent (as successor in interest to JPMorgan Chase Bank, N.A. in such capacity) under the Credit Agreement and other loan documents. As a result of the Amendment No. 4, the aggregate total revolving commitment of the existing lenders under the Credit Agreement decreased from $1.30 billion to $1.25 billion.

Additionally, on December 14, 2015, the Company entered into an incremental facility amendment (the "December 2015 Incremental Amendment") to the Credit Agreement among the loan parties listed therein, the lenders named therein and the Administrative Agent. Pursuant to the December 2015 Incremental Amendment, the Company obtained additional revolving commitments under the Credit Agreement through its Administrative Agent from DVB Bank SE, in the amount of $50.0 million. As a result of the Incremental Amendment, the aggregate total revolving commitment of the existing lenders under the Credit Agreement is $1.30 billion.

(Dollars in Thousands, Except for Share Amounts)

7. Borrowings (continued)

The ABL Facility, as amended, has a maturity date of December 10, 2020 (provided such maturity is at least 91 days prior to the maturity of the Notes or senior notes the Company may issue, subject to certain exceptions) and borrowings are limited to a maximum amount (the “Borrowing Base”) equal to the sum of (i) 85% multiplied by eligible accounts receivable (including Canadian accounts receivable), plus (ii) the lesser of (a) 85% multiplied by the sum of the net book U.S. GAAP depreciated value for eligible rental fleet assets not subject to a direct finance lease and the net investment in accordance with U.S. GAAP with respect to eligible rental fleet assets subject to a direct finance lease (in each case, including rental fleet assets located in Canada and up to the lesser of 5% of the Borrowing Base and $60,000 of fleet assets located in Mexico) and (b) 80% multiplied by the net orderly liquidation value percentage identified in the most recent rental fleet asset appraisals multiplied by the sum of the net book U.S. GAAP depreciated value for eligible rental fleet assets not subject to a direct finance lease and the net investment in accordance with U.S. GAAP with respect to eligible rental fleet assets subject to a direct finance lease (in each case, including rental fleet assets located in Canada and up to the lesser of 5% of the Borrowing Base and $60,000 of fleet assets located in Mexico), less (iii) reserves established by the Administrative Agent. Field exams and appraisals will be conducted on a periodic basis, the frequency of which increases subject to certain availability triggers or during the continuance of an event of default.

The ABL Facility bears an interest rate equal to the Adjusted LIBO Rate for the applicable Interest Period plus the Applicable Rate for Eurodollar Loans or the Alternate Base Rate plus the Applicable Rate for ABR Loans (all as defined in the ABL Facility). Until December 10, 2016, the Applicable Rate is equal to (i) 2.00% for Eurodollar Loans, and (ii) 1.00% for ABR Loans. Thereafter, the Applicable Rate is subject to increase or decrease on the first business day of each fiscal quarter, based on the Average Availability (as defined in the ABL Facility) for the then most recently ended fiscal quarter, as set forth below:

Average Availability	Eurodollar Loans	ABR Loans
<$300 million	2.25%	1.25%
$300 million to <$600 million	2.00%	1.00%
>$600 million	1.75%*	0.75%*

*Applies only if the Total Leverage Ratio for Test Period in effect (each as defined in the ABL Facility) does not exceed 3.50 to 1.00.

7. Borrowings (continued)

The ABL Facility contains various representations and covenants, including the financial covenants described below. A minimum fixed charge coverage ratio of 1.00 to 1.00 shall be required for applicable testing periods on any day on which Average Availability is less than the greater of (i) 12.5% of the Total Revolving Commitment (all as defined in the ABL Facility) and (ii) $100,000, and shall continue to be required until the date on which Average Availability shall have exceeded such thresholds for at least 30 consecutive days. A maximum senior secured leverage ratio for the applicable testing periods of (i) 5.25 to 1.00 for Test Periods ending from the effective date of the ABL Facility to December 31, 2016, (ii) 5.00 to 1.00 for Test Periods ending March 31, 2017 to December 31, 2017, and (iii) 4.50 to 1.00 for Test Periods ending March 31, 2018 to the maturity date shall be required on any day on which Availability (as defined in the ABL Facility) is less than the greater of (i) 12.5% of the Total Revolving Commitment and (ii) $100,000, and shall continue to be required until the date on which Availability shall have exceeded such thresholds for at least 30 consecutive days.

In addition to the above financial covenants, the ABL Facility contains restrictions, which include but are not limited to, restrictions on the creation of liens, the prepayment of existing indebtedness, the incurrence of additional indebtedness (including guarantee obligations), investments, asset dispositions, sale and leaseback transactions, swap agreements, optional payments and modifications of subordinated and other debt instruments, changes in fiscal year, negative pledge clauses and other burdensome agreements, transactions with affiliates, mergers and consolidations, liquidations and dissolutions, restricted payments (including dividends and other payments in respect of capital stock), asset sales or transfers, amendments of material documents and transactions with respect to PoolStat®. The ABL Facility also provides for cash dominion subject to certain availability triggers.

In accordance with FASB ASC Topic 470-50, *Modifications and Extinguishments of Debt*, the Company evaluated the accounting for financing fees on a lender by lender basis. Since several lenders withdrew from the ABL Facility, the Company recognized a loss of $2,647. This amount is recorded in Loss on modification and extinguishment of debt and capital lease obligations in the Consolidated Statement of Operations. Additionally, costs incurred in connection with the Amendment No. 4 and the December 2015 Incremental Amendment for commitment, arrangement and other fees were approximately $9,250 and are classified as deferred financing fees and reflected as a deduction from the carrying amount of the debt liability. These fees along with the unamortized deferred costs related to the old arrangement will be amortized into interest expense over the term of the new arrangement, through December 9, 2020.

On January 14, 2016, the Company borrowed $51,000 (the “Repurchase Amount”) under the revolving credit facility of the ABL Facility to finance the repurchase and retirement of 62 shares, par value $0.01 per share, of the common stock of Interpool held by the Company, the sole stockholder of Interpool Through a successive chain of dividends, the Repurchase Amount was received pro rata by the Company’s indirect shareholders of record, including certain private equity funds that are managed by an affiliate of Fortress Investment Group LLC, employees of affiliates of Seacastle Inc. (the Company’s indirect parent) and members of the Company’s management.

7. Borrowings (continued)

The amount outstanding under the ABL Facility was $1,032,000 and $867,000 at December 31, 2016 and 2015, respectively. The weighted-average interest rates including amortized debt issuance fees for the years ended December 31, 2016, 2015 and 2014 was 3.11%, 3.51% and 3.60%, respectively. At December 31, 2016, $203,028 additional borrowing capacity was available under this facility.

Loans Payable CIMC

During 2010, the Company contracted for the remanufacture and financing of 3,135 chassis with CIMC Vehicles Group Ltd. and CIMC Transportation Equipment, Inc. (collectively, "CIMC"). CIMC financed 90% of the acquisition cost of these remanufactured chassis. This equipment was delivered in eight tranches as manufacturing was completed over various delivery dates from October 11, 2010 to June 30, 2011 and eight corresponding financing agreements were signed. The term of each agreement is 120 months commencing on the acceptance date of the equipment. Amounts outstanding under these agreements bear an interest rate equal to LIBOR plus a margin and payments are made quarterly. Upon registration, CIMC is listed as the first lien holder on all certificates of title to the equipment. At December 31, 2016 and 2015, $11,989 and $14,519 was outstanding under these agreements. The weighted-average interest rates for the years ended December 31, 2016, 2015 and 2014 were 4.98%, 4.59% and 4.53%, respectively.

Capital Lease Obligations

At December 31, 2016 and 2015, the total capital lease obligations outstanding associated with leasing equipment were $8,412 and $49,160, respectively. The capital lease obligations mature in varying amounts from 2017 through 2021 and have stated or implicit rates ranging from 5.00% to 5.29%. The weighted-average interest rates for the years ended December 31, 2016, 2015 and 2014 were 4.86%, 4.81% and 4.96%, respectively.

On December 31, 2014 the Company exercised an early purchase option for one of its capital leases. The Company purchased 1,371 chassis for approximately $12,032 and recognized a loss on modifications and extinguishment of debt and capital lease obligations of $225.

During 2015, the Company exercised early purchase options for several of its capital leases. The Company purchased 1,537 chassis for approximately $11,855 and recognized a loss on modifications and extinguishment of debt and capital lease obligations of $860. Additionally during 2015, the Company exercised purchase options from two maturing capital leases. The Company purchased 5,161 chassis for an aggregate price of $14,644.

During 2016, the Company exercised 16 purchase options related to its capital leases, four early purchase options and 12 from maturing capital leases for an aggregate purchase price of $47,107 and recognized a loss on modification and extinguishment of debt and capital lease obligations of $175.

(Dollars in Thousands, Except for Share Amounts)

7. Borrowings (continued)

Assets Pledged as Collateral

The Company's debt obligations are collateralized by the Company's Leasing equipment and Net investment in direct finance leases. As of December 31, 2016 and 2015, assets pledged as collateral are as follows:

	December 31	
	2016	2015
ABL Facility	$ 1,377,571	$ 1,344,961
CIMC Loans	25,387	26,609
Capital Lease Obligations	15,239	75,653
Total Pledged as Collateral	$ 1,418,197	$ 1,447,223

The Company's Notes are secured on a second-priority lien basis. Collateral generally consists of cash, owned chassis, accounts receivable, and investment property of the guarantors including, with limitations, the equity of the non-guarantors.

Covenants

At December 31, 2016, under the Company's debt instruments, the Company is required to maintain certain financial covenants (as defined in each agreement) including Minimum Tangible Net Worth tests, Funded Debt to Tangible Net Worth, Senior Secured Leverage Ratio and a Fixed Charge Coverage test. As of December 31, 2016, the Company was in compliance with all financial covenants as defined in each agreement.

Debt Maturities

The Company's outstanding debt, including capital lease obligations, as of December 31, 2016 matures as follows:

2017	$ 9,173
2018	3,284
2019	48,432
2020	1,035,589
2021	923
Thereafter	—
	$ 1,097,401

8. Derivatives and Hedging Activities

The Company accounts for derivative instruments in accordance with the *Derivatives and Hedging* Topic of the FASB ASC. In the normal course of business, the Company is exposed to fluctuations in interest rates on its floating rate debt. In order to reduce its interest rate risk, the Company utilized interest rate derivatives to manage its exposure to interest rate risks. Through the utilization of these interest rate derivatives, the Company receives floating rate payments in exchange for fixed rate payments, effectively converting its floating rate debt to a fixed rate. In accordance with the *Derivatives and Hedging* Topic of the FASB ASC, if certain conditions are met, an interest rate derivative may be specifically designated as a cash flow hedge. All of the Company's interest rate derivatives are cash flow hedges.

On the date that the Company entered into an interest rate derivative, it formally documented the intended use of the interest rate derivative and its designation as a cash flow hedge, if applicable. The Company also assessed (both at inception and on an ongoing basis) whether the interest rate derivative had been highly effective in offsetting changes in the cash flows of the floating rate interest payments on its debt and whether the interest rate derivative was expected to remain highly effective in future periods. If it were to be determined that the interest rate derivative was not (or had ceased to be) highly effective as a cash flow hedge, the Company would have discontinued hedge accounting treatment.

At inception of an interest rate derivative designated as a cash flow hedge, the Company established the method it would use to assess effectiveness and the method it would use to measure any ineffectiveness. The Company used the "hypothetical derivative method" to estimate the fair value of the hedged interest payments in both its assessments and measurement of hedge effectiveness. The degree to which a hedge was judged as highly effective under the hypothetical derivative method depended on a calculation involving the comparison of the change in the fair value of the actual interest rate derivative to the change in the fair value of a hypothetical interest rate derivative with critical terms which matched the hedged floating-rate interest payments.

The effectiveness of the Company's hedge relationships was assessed prospectively and retrospectively by regressing historical changes in the actual interest rate derivative against historical changes in the hypothetical interest rate derivative and evaluating whether certain statistical measures (such as correlation and slope) had been met. However, measurement of hedge effectiveness in the Consolidated Financial Statements each period required a comparison of the cumulative change in the fair value of the actual interest rate derivative to the cumulative change in the fair value of the hypothetical interest rate derivative. When the change in the interest rate derivative exceeded the change in the hypothetical interest rate derivative, the amount of the change in fair value by which the actual interest rate derivative exceeded the hypothetical interest rate derivative was the calculated ineffectiveness which was recorded in Interest expense in the Consolidated Statements of Operations.

In accordance with the *Derivatives and Hedging* Topic of the FASB ASC, all interest rate derivatives were recognized on the Company's Consolidated Balance Sheets at their fair value and consisted of United States dollar denominated LIBOR-based interest rate swaps. Their fair values were determined using cash flows discounted at relevant market interest rates in effect at the period close. The fair value generally reflected the estimated amounts that the Company would receive or pay to transfer the contracts at the reporting date and therefore reflects the Company's or counterparty's non-performance risk. See Note 18.

8. Derivatives and Hedging Activities (continued)

For the Company's interest rate derivatives designated as cash flow hedges, the effective portion of the interest rate derivative's gain or loss was deferred and initially reported as a component of AOCI and subsequently reclassified into earnings when the interest payments on the debt were recorded in earnings. The ineffective portion of the interest rate derivative was calculated and recorded in Interest expense in the Consolidated Statements of Operations at each quarter-end. Refer to Note 11 for further information regarding the amounts accumulated in other comprehensive loss.

The Company may, at its discretion, choose to terminate or re-designate any interest rate derivatives prior to their contractual maturities. At that time, any gains and losses previously reported in AOCI on termination would continue to amortize into interest expense or interest income to correspond to the recognition of interest expense or interest income as the interest payments on the debt affect earnings, provided that management has determined that the forecasted transactions are probable of occurring.

On August 9, 2012, in connection with the closing of the sale of the Original Notes and the ABL Facility and the repayment of the Fortis Facility, the Company terminated all six remaining interest rate derivatives. Upon settlement, the Company paid $91,422, which included $1,052 of accrued interest. The balance in AOCI is being reclassified into earnings over the remaining life of the items previously hedged through October 2017, as management has determined that the forecasted transactions remain probable of occurring.

Terminated interest rate derivatives are reviewed periodically to determine if the forecasted transactions remain probable of occurring. To the extent that the debt instrument was also terminated or the occurrence of the interest payments on the debt is deemed remote, the related portion of the gain or loss associated with the terminated derivative included in AOCI would be recognized in the Consolidated Statements of Operations immediately.

On January 10, 2013, the Company entered into an interest rate swap transaction with Deutsche Bank AG effectively converting $300,000 of variable rate debt based upon LIBOR into a fixed rate instrument. The Company receives one month LIBOR with interest payable at a rate of 0.756% on the notional amount. The agreement terminates on August 9, 2017.

On February 4, 2016, the Company executed two interest rate swap agreements with Deutsche Bank. One agreement effectively converts $50,000 of variable rate debt based upon LIBOR into a fixed rate of 1.063% per annum. This agreement will terminate on December 10, 2020 at the same time the Company's ABL Facility terminates. Additionally, the Company executed a $300,000 forward interest rate swap agreement. This agreement begins on August 9, 2017 when the Company's existing $300,000 swap agreement ends. At that time, the Company will effectively convert $300,000 of variable rate debt based upon LIBOR into a fixed rate of 1.2985%.

(Dollars in Thousands, Except for Share Amounts)

8. Derivatives and Hedging Activities (continued)

On February 5, 2016, the Company executed an interest rate swap with PNC Bank effectively converting $100,000 of variable rate debt based upon LIBOR into a fixed rate of 1.1175%. The agreement will terminate December 10, 2020 at the same time the Company's ABL Facility terminates.

At December 31, 2016, one month LIBOR was 0.7717%.

For additional disclosures related to derivative instruments, see Notes 2, 11 and 18.

The Company held the following interest rate derivatives as of December 31, 2016:

Hedged Item	Notional Amount	Effective Date	Maturity Date	Floating Rate	Fixed Leg Interest Rate	Fair Value (a)
ABL Facility	$ 300,000	Jan-2013	Aug-2017	1M LIBOR	0.756%	$ 168
ABL Facility	$ 50,000	Feb-2016	Dec-2020	1M LIBOR	1.063%	$ 1,103
ABL Facility	$ 100,000	Feb-2016	Dec-2020	1M LIBOR	1.1175%	$ 2,066
ABL Facility	$ 300,000	Aug-2017	Dec-2020	1M LIBOR	1.2985%	$ 4,787

(a) These interest rate derivatives are recorded in Other assets in the Consolidated Balance Sheets.

At the dates indicated, the Company had in place total interest rate derivatives to fix floating interest rates on a portion of the borrowings under its debt facilities as summarized below:

	Total Current Notional Amount	Weighted-Average Fixed Leg Interest Rate	Weighted-Average Remaining Term
December 31, 2016	$ 450,000	0.8704%	1.72 years
December 31, 2015	$ 300,000	0.7560%	1.53 years
December 31, 2014	$ 300,000	0.7560%	2.53 years

(Dollars in Thousands, Except for Share Amounts)

8. Derivatives and Hedging Activities (continued)

The following table sets forth the net of tax effect of the Company's cash flow hedge derivative instruments on the Consolidated Financial Statements for the years ended December 31, 2016, 2015 and 2014:

	Effective Portion						Ineffective Portion		
	Derivative Instruments		Change in Unrealized Gain (Loss) Recognized in OCI on Derivatives(a)	Classification of Loss Reclassified from OCI into Income		Loss Reclassified from OCI into Income (b)	Classification of (Gain) Loss Recognized Directly in Income on Derivative		(Gain) Loss Recognized Directly in Income on Derivative (c)
December 31, 2016	Interest rate derivatives	$	3,693	Interest expense	$	10,979	Interest expense	$	251
December 31, 2015	Interest rate derivatives	$	(1,982)	Interest expense	$	13,316	Interest expense	$	(85)
December 31, 2014	Interest rate derivatives	$	(2,005)	Interest expense	$	12,131	Interest expense	$	(84)

(a) This represents the change in the fair market value of the Company's interest rate derivatives, net of tax, offset by the amount of actual cash paid related to the net settlements of the interest rate derivatives, net of tax.

(b) This represents the amount of actual cash paid, net of tax, related to the net settlements of the interest rate derivatives plus any effective amortization of deferred losses on the Company's terminated derivatives, net of tax.

		2016		2015		2014
Net settlements of interest rate derivatives, net of tax of ($676), ($685) and ($720), respectively	$	1,045	$	1,059	$	1,106
Amortization of terminated derivatives, net of tax of ($6,425), ($7,920) and ($7,265), respectively		9,934		12,257		11,025
	$	10,979	$	13,316	$	12,131

(c) Amounts impacting income not related to OCI reclassification.

(Dollars in Thousands, Except for Share Amounts)

8. Derivatives and Hedging Activities (continued)

The following table summarizes the deferred (gains) and losses for the terminated interest rate derivatives and the related amortization into interest expense for the years ended December 31, 2016, 2015 and 2014:

Hedged Item	Original Maximum Notional Amount	Effective Date	Maturity Date	Fixed Rate %	Term-ination Date	Deferred Loss Upon Term-ination	Unamortized Deferred (Gain) Loss at December 31, 2016	Amount of Deferred Loss Amortized (including Accelerated Amortization) into Interest Expense			Amount of Deferred Loss Expected to be Amortized over the Next 12 months
								2016	2015	2014	
(a)	$ 60,852	Jul-2007	Oct-2017	5.299%	Dec-2007	$ 1,853	$—	$ (6)	$ (2)	$ 10	$ —
(a)	200,000	Jul-2007	Jul-2017	5.307%	Dec-2007	6,412	(3)	(14)	(6)	45	(3)
(a)	163,333	Jul-2007	Jul-2014	5.580%	Dec-2007	3,773	—	—	—	200	—
(b)	150,000	Jul-2008	Oct-2014	5.512%	Jul-2008	1,711	—	—	—	44	—
(b)	150,000	Oct-2007	Oct-2014	5.512%	Jul-2008	3,498	—	—	—	139	—
(b)	480,088	Oct-2014	Oct-2017	5.436%	Jul-2008	1,711	378	526	662	145	378
(b)	480,088	Oct-2014	Oct-2017	5.436%	Jul-2008	1,526	211	471	698	146	211
(a)	163,333	Nov-2007	Jul-2014	4.605%	Jul-2008	2,082	—	—	—	(166)	—
(b)	332,525	Oct-2007	Oct-2014	4.743%	Jul-2008	7,641	—	—	—	(167)	—
(a)	58,238	Nov-2007	Oct-2017	4.305%	Jul-2008	862	(1)	(44)	(58)	(61)	(1)
(a)	193,333	Nov-2007	Jul-2017	4.365%	Jul-2008	3,265	(20)	(114)	(206)	(247)	(20)
(c)	37,000	Sep-2007	Jul-2014	5.526%	Mar-2011	3,122	—	—	—	335	—
(d)	53,286	Jul-2008	Oct-2017	3.989%	Aug-2012	2,048	6	197	330	469	6
(d)	181,667	Jul-2008	Jul-2017	4.033%	Aug-2012	8,538	87	579	1,321	2,135	87
(d)	43,333	Jul-2008	Jul-2014	4.328%	Aug-2012	11,033	—	—	—	3,437	—
(d)	211,567	Jul-2008	Oct-2014	4.147%	Aug-2012	17,002	—	—	—	6,578	—
(d)	150,000	Jul-2008	Oct-2014	4.000%	Aug-2012	5,080	—	—	—	1,960	—
(d)	427,407	Oct-2014	Oct-2017	5.174%	Aug-2012	46,372	10,882	14,764	17,438	3,288	10,882
Total						$ 127,529	$ 11,540	$ 16,359	$ 20,177	$ 18,290	$ 11,540

(a) This hedged item is referred to as Chassis Funding II Floating Rate Asset-Backed Notes, Series 2007-1
(b) This hedged item is referred to as Chassis Funding Floating Rate Asset-Backed Notes, Series 2007-1
(c) This hedged item is referred to as Chassis Financing Program, Term Loan Agreement—Portfolio C
(d) This hedged item is referred to as Chassis Financing Program, Portfolio A

The amount of loss expected to be reclassified from AOCI into interest expense over the next 12 months consists of net interest settlements on an active interest rate derivative in the amount of $171 (which is net of tax of $111) and amortization of deferred losses on the Company's terminated derivatives of $7,008 (which is net of tax of $4,532).

(Dollars in Thousands, Except for Share Amounts)

9. Commitments and Contingencies

Chassis Purchase Commitments

The Company's chassis purchase commitments are related to commitments to refurbish chassis, remanufacture chassis and to exercise an early purchase option related to a capital lease. At December 31, 2016, the Company had non-cancellable commitments totaling approximately $18,950 all of which was committed for 2017. In addition, the Company entered into purchase orders for the refurbishment of chassis which allows for cancellation with an agreed upon notice period. If the Company were to cancel, it would be required to fulfill refurbishments committed aggregating approximately $11,588 which is included in the 2017 commitment number above. The above represents the non-cancellable portion of contracts that aggregate $92,784 over a four year period.

Tire Purchase Commitments

Contemporaneous with the Interstar Acquisition, the Company committed to purchase from an affiliate of the acquired company 45,000 tires annually for a period of five years. Initial prices for tire types were agreed upon but are subject to purchase price adjustments based on certain changes in the cost of raw materials used in the manufacturing process as well as the mix of tires to be purchased over the commitment period. At December 31, 2016, the tire purchase commitments are estimated to be $23,203 with $6,613 committed for 2017 and $5,530 committed for 2018, 2019 and 2020, respectively. See Note 15.

Lease Commitments

The Company is party to various operating leases relating to office facilities and certain other equipment with various expiration dates through 2026. All leasing arrangements contain normal leasing terms without unusual purchase options or escalation clauses. Rental expense under operating leases was $12,877, $14,417 and $8,541 for the years ended December 31, 2016, 2015 and 2014, respectively.

As of December 31, 2016, the aggregate minimum rental commitment under operating leases having initial or remaining non-cancelable lease terms in excess of one year was as follows:

2017	$ 11,864
2018	5,210
2019	3,773
2020	3,407
2021	3,465
Thereafter	12,067
	$ 39,786

The Company is party to various capital leases and is obligated to make payments related to its long-term borrowings. See Note 7.

9. Commitments and Contingencies (continued)

Stock Buyback Program

On April 13, 2016, Interpool instituted the Stock Buyback Program whereby employees who hold vested shares of SCT Chassis, an indirect parent of the Company, pursuant to Management Shareholder Agreements executed prior to January 1, 2016, will be eligible to elect, on an annual basis, to sell up to 25% of such shares to Interpool. Under the Stock Buyback Program, participants will elect annually whether to participate in the Stock Buyback Program and the number of eligible shares they wish to sell. Elections will generally be made on or about April 30 of each year, and the Stock Buyback Program will expire in 2019 after all completed share repurchase elections are fulfilled for that year. The fair market value price, at which SCT Chassis shares will be repurchased, will be determined each year by the Board of Directors of SCT Chassis. At December 31, 2016, the estimated repurchase amount based on the current such fair market value price of $10.50 per share is $3,035. See Note 12.

Guarantees and 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, 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. No losses have been accrued at December 31, 2016 and 2015.

At December 31, 2016, the following guarantees and indemnifications for which payments 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. Interpool 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.

9. Commitments and Contingencies (continued)

ILWU Roadability Program – Inspection Fees

An agreement reached in March 2015 between the Pacific Maritime Association ("PMA") and the International Longshore and Warehouse Union ("ILWU") provides for mandatory roadability inspections (subject to limited exceptions) of all chassis before they leave any of the West Coast terminals where the ILWU has jurisdiction (the "ILWU Roadability Program"). In connection with this program, the Company has received invoices and payment demands from certain host locations. The Company is not party to the above agreement and is currently disputing such fees because, among other reasons, it believes there is no legal basis for them to be imposed and the ILWU Roadability Program provides for inspections beyond those required by applicable law. Since the Company believes that any amounts it may be required to pay are not probable, it is not currently accruing such expenses in its financial statements. As of December 31, 2016, the Company has received invoices aggregating approximately $5,550.

Other

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 accidents that occur which involve death and injury to persons and damage to property. Accordingly, the Company requires all of its lessees to indemnify the Company against any losses arising out of such accidents or other occurrences while its equipment is on-hire to the lessees. In addition, the Company's lessees are generally required to maintain minimum levels of general liability and property insurance coverages which are standard in the industry. The Company maintains general liability and property damage policies in the event that the above lessee coverages are insufficient or there is a loss for which the Company is responsible.

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 consolidated financial condition, results of operations or cash flows.

The Company is subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. The Company may spend significant financial and managerial resources to defend itself against such claims, even when they are without merit. The Company is not aware of any legal proceedings or claims that it believes will have, individually or in the aggregate, a material adverse effect on the Company, its consolidated financial condition, results of operations or cash flows.

(Dollars in Thousands, Except for Share Amounts)

10. Income Taxes

Deferred tax assets and liabilities are recognized for the expected future taxation of events that have been reflected in the Consolidated Financial Statements. Deferred tax assets and liabilities are determined based on the differences between the book values and tax bases of 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 deferred tax assets if, based upon the relevant facts and circumstances, it is more likely than not that some or all of the deferred tax assets will not be realized. U.S. income taxes are generally not provided on undistributed earnings of U.S.-owned foreign subsidiaries as such earnings are considered permanently invested in the foreign jurisdictions. The Company's liability for uncertain tax positions represents open tax return positions and tax assessments received and are reflected in Accrued expenses and other liabilities and offsets to deferred tax assets.

The Company's chassis leasing business is primarily domiciled in the United States. Therefore, its income is primarily subject to United States taxation.

Domestic and foreign pre-tax income (loss) was as follows:

	Year ended December 31		
	2016	2015	2014
Domestic	$ 28,440	$ 42,204	$ (7,988)
Foreign	2,278	2,394	1,587
Total	$ 30,718	$ 44,598	$ (6,401)

The provision (benefit) for income taxes is comprised of the following:

	Year ended December 31		
	2016	2015	2014
Current taxes:			
Federal	$ —	$ 10	$ (795)
State	39	(211)	713
Foreign	108	162	67
Total current taxes	147	(39)	(15)
Deferred taxes:			
Federal	9,847	15,101	(2,115)
State	945	2,832	(1,395)
Foreign	(146)	(14)	80
Total deferred taxes	10,646	17,919	(3,430)
Total provision (benefit) for income taxes	$ 10,793	$ 17,880	$ (3,445)

(Dollars in Thousands, Except for Share Amounts)

10. Income Taxes (continued)

The decrease in the tax provision in 2016 compared to 2015 is due to a decrease in the Company's earnings. The increase in the tax provision in 2015 compared to 2014 was due to the increase in the Company's earnings.

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

	Year ended December 31		
	2016	**2015**	**2014**
U.S. statutory rate	35.0%	35.0%	35.0%
State taxes	3.1	5.8	12.9
Foreign earnings taxed at other than 35%	(1.9)	(1.1)	7.5
Research and development tax credit	(0.8)	—	—
Changes in uncertain tax positions	0.1	—	(6.3)
Valuation allowances	—	—	5.1
Permanent tax items	(0.4)	0.4	(0.4)
Effective tax rate	35.1%	40.1%	53.8%

In all years, the effective tax rate differs from the U.S. federal tax rate of 35% due to state and local income taxes and foreign earnings. In 2016, the effective tax rate decreased due to a reduction in the state effective tax rate and the benefit from a research and development tax credit. In 2015, the effective tax rate decreased due to the significant increase in domestic pre-tax income relative to worldwide earnings.

(Dollars in Thousands, Except for Share Amounts)

10. Income Taxes (continued)

Significant components of deferred tax assets and liabilities were as follows:

	December 31	
	2016	2015
Deferred tax assets:		
Loss carryforwards	$ 305,157	$ 302,485
Derivative instruments	1,334	10,821
Other	7,162	5,741
Deferred tax assets	313,653	319,047
Valuation allowance	(21)	(199)
Total deferred tax assets	313,632	318,848
Deferred tax liabilities:		
Operating property, net	456,961	435,376
Derivative instruments	4,436	11,052
Total deferred tax liabilities	461,397	446,428
Net deferred tax liabilities	$ 147,765	$ 127,580

Through December 31, 2016, the Company has incurred passive activity loss (“PALs”) and net operating loss (“NOLs”) carryforwards of approximately $228,931 and $546,804, respectively, for U.S. federal and state income tax purposes. In addition, through December 31, 2016, the Company claimed $242 of research and development (“R&D”) tax credits pertaining to Project Helix for U.S. federal tax purposes.

The PALs can be carried forward indefinitely to offset income generated from future leasing activities. The remaining $546,804 of NOLs can be carried forward to offset any income from future leasing activities or other future non-leasing taxable income (i.e., dividends, interest, and capital gain income). The NOL carryforward will not begin to expire until 2028. The R&D tax credit carryforward will not begin to expire until 2035. After considering the future reversal of its existing taxable temporary differences coupled with future earnings and tax planning strategies, the Company does not believe a valuation allowance is required for federal taxes with respect to these PALs, NOLs or R&D tax credits. However, as of December 31, 2016 and 2015, the Company has a valuation allowance recorded of $21 and $199, respectively, relating to state NOL and capital loss carryforwards which have a remaining expiration period of five years or less.

(Dollars in Thousands, Except for Share Amounts)

10. Income Taxes (continued)

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance at December 31, 2014	$ 977
Change during 2014	—
Balance at December 31, 2015	977
Change during 2016	12
Balance at December 31, 2016	$ 989

All of the unrecognized tax benefits, if recognized, would favorably affect the Company's effective tax rate. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. During the years ended December 31, 2016, 2015 and 2014, the Company recognized approximately $17, $16 and $94, respectively, in interest and penalties. The Company does not anticipate any material reversals of its recorded uncertain tax positions in the subsequent twelve month period.

The Company's 2014 federal income tax return is presently under examination. The Company's 2015 and 2016 federal income tax returns and 2013 to 2016 state tax returns remain subject to examination. The Company does not expect the outcome of any federal or state examinations to have a material impact on the Consolidated Financial Statements. In addition, the Company's NOLs generally remain subject to potential examination until three years from their utilization year regardless of their year of origin.

As of December 31, 2016, 2015 and 2014 the cumulative undistributed foreign earnings were approximately $6,106, $4,306 and $2,610, respectively. Any U.S. tax liability on possible future distribution of these undistributed foreign earnings, net of foreign tax credits, is not a material amount. The Company reinvests its earnings in Mexico into its local operations and does not have a domestic need to repatriate such earnings. As such the Company considers all of its foreign earnings to be permanently invested in the foreign jurisdictions.

(Dollars in Thousands, Except for Share Amounts)

11. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss ("AOCI") includes the changes in the fair value of derivative instruments, reclassification into earnings of amounts previously deferred relating to derivative instruments and foreign currency translation gains and losses primarily relating to the Company's Canadian operation.

The components of Accumulated comprehensive (loss), net of tax, are as follows:

	Unrealized Gain (Loss) on Derivative Instruments	Net Derivative Loss to be Reclassified into Earnings	Foreign Currency Translation	Total Accumulated Other Comprehensive Loss
Balance, December 31, 2013	$ 2,020	$ (40,226)	$ (142)	$ (38,348)
Current-period other comprehensive (loss) income	(899)	11,025	(395)	9,731
Balance, December 31, 2014	$ 1,121	$ (29,201)	$ (537)	$ (28,617)
Current-period other comprehensive (loss) income	(923)	12,257	(820)	10,514
Balance, December 31, 2015	$ 198	$ (16,944)	$ (1,357)	$ (18,103)
Current-period other comprehensive (loss) income	4,738	9,934	—	14,672
Balance, December 31, 2016	$ 4,936	$ (7,010)	$ (1,357)	$ (3,431)

The following table presents the effects of reclassifications out of AOCI and into the Consolidated Statement of Income:

		Year ended December 31,		
	Income Statement Line Item	2016	2015	2014
Total loss in AOCI reclassifications for previously unrealized net losses on terminated derivatives	Interest expense	$ 16,359	$ 20,177	$ 18,290
Related income tax benefit	Benefit for income taxes	(6,425)	(7,920)	(7,265)
Net loss reclassified out of AOCI		$ 9,934	$ 12,257	$ 11,025

12. Share-Based Payments

Restricted Stock Awards—SCT Chassis, Inc.

On March 28, 2012, the Company's indirect parent, SCT Chassis, Inc. increased its authorized share capital to 71,000,000 common shares, par value $0.01 per share. SCT Chassis, Inc. issued 68,459,471 common shares to its parent, Seacastle Inc. who previously held 200 shares. During 2012, Interpool purchased 584,410 shares of common stock of SCT Chassis, Inc. at fair market value for a total of $3,615 for use in its newly created stock incentive program for key employees. As a result of these transactions, SCT Chassis, Inc. has 69,044,081 common shares outstanding. The fair value of these shares was determined by a valuation by the Board of Directors of Seacastle Inc. In determining fair market value, the Board of Directors relies on a number of valuation approaches including the market-based approach using current market multiples as well as the income approach utilizing a discounted cash flow analysis.

No shares were granted during the year ended December 31, 2014.

During the year ended December 31, 2015, 63,963 restricted shares of SCT Chassis, Inc. were granted to key employees at a weighted average fair value of $10.52 per share for a total fair value of $673. Of these shares, 14,702 shares vested immediately with the remaining 49,261 shares vesting in equal increments on January 1, 2016, 2017, 2018 and 2019.

On June 1, 2016, 35,682 restricted shares of SCT Chassis were granted to a key employee at a fair value of $11.21 per share for a total fair value of $400. These shares vest in equal increments on January 1, 2017, 2018, 2019 and 2020. Additionally on June 1, 2016, the Company advised the employee that he would be permitted to participate in the Stock Buyback Program (as defined below) instituted by the Company in April 2016. See description of program following.

12. Share-Based Payment (continued)

A summary of the restricted shares of SCT Chassis under the Company's share-based compensation plan is as follows. All amounts are in thousands except share and per share amounts.

Non-vested Shares	Shares	Weighted-Average Grant Date Fair Value per share	Fair Value of Shares at Grant Date
Non-vested at December 31, 2013	352,443	$ 6.61	$ 2,328
Granted	—	—	—
Forfeited	(20,000)	6.17	(123)
Vested	(152,226)	6.54	(996)
Non-vested at December 31, 2014	180,217	$ 6.71	$ 1,209
Granted	63,963	10.52	673
Forfeited	—	—	—
Vested	(142,010)	6.93	(984)
Non-vested at December 31, 2015	102,170	$ 8.79	$ 898
Granted	35,682	11.21	400
Forfeited	—	—	—
Vested	(52,724)	7.97	(420)
Non-vested at December 31, 2016	85,128	$ 10.31	$ 878

Stock Buyback Program

On April 13, 2016, Interpool instituted the Stock Buyback Program. Under the Stock Buyback Program, participants will elect annually whether to participate in the Stock Buyback Program and the number of eligible shares they wish to sell. Elections will generally be made on or about April 30 of each year, and the Stock Buyback Program will expire in 2019 after all completed share repurchase elections are fulfilled for that year. The fair market value price, at which SCT Chassis shares will be repurchased, will be determined each year by the Board of Directors of SCT Chassis. For the 2016 repurchase, Interpool offered a purchase price of $11.21 per share, and such offer expired on May 13, 2016.

12. Share-Based Payments (continued)

The Company accounted for the repurchase feature which provides for a cash settlement option for eligible shares in accordance with the *Compensation – Stock Compensation* Topic of the FASB ASC. Provisions of the Program require certain equity awards to be accounted for under liability accounting; hence such awards have been reclassified and will be re-measured at each reporting date. The Company recognized $312 of additional compensation expense with regard to these awards due to the Program modification and reclassified $641 from Member's interest to a share repurchase liability account. At inception the Share repurchase liability was $953 and is recorded in Accrued expenses and other liabilities in the Consolidated Balance Sheet. Additionally, the guidance in *Accounting Series Release No. 268* ("ASR 268") requires equity awards, which are now redeemable under the Program to be classified as temporary equity on the balance sheet and re-measured to the estimated redemption value at each reporting period. The Company recognized $744 of additional compensation expense due to the Program modification and reclassified $1,859 from Member's interest to Redeemable indirect parent shares held by management associated with such awards. Additionally, $775 was recorded to Redeemable indirect parent shares held by management with the offset to Member's interest to reflect the estimated redemption value for these shares. At inception the balance in this account was $3,378.

On May 13, 2016, the Company repurchased 94,527 shares for $1,060 in accordance with the Stock Buyback Program discussed above. Accordingly, the Company reduced Redeemable indirect parent shares held by management by $845 on the Consolidated Balance Sheet and also reduced the Share repurchase liability by $215.

At December 31, 2016, the Share repurchase liability was $959 and is recorded in Accrued expenses and other liabilities in the Consolidated Balance Sheet. Additionally, the balance in Redeemable indirect parent shares held by management was $2,076 and is presented as temporary equity in the Consolidated Balance Sheet. Both accounts were revalued to fair value and estimated redemption value, respectively, at December 31, 2016.

Share Repurchases

In addition to the share repurchase discussed above under the Stock Buyback Program, during the year ended December 31, 2016 Interpool purchased 60,834 shares of SCT Chassis common stock from employees to meet their minimum statutory withholding requirements upon share vesting and to repurchase shares from employees upon termination. The cost of these shares was $609 of which $306 is included in Member's interest and $303 reduced the balance of Redeemable indirect parent shares held by management on the Consolidated Balance Sheet.

Stock Sales to Indirect Parent

On October 8, 2015, Seacastle, Inc. purchased 78,414 restricted shares of SCT Chassis, Inc. from Interpool at $12.67 per share for a total of $993.

12. Share-Based Payments (continued)

Restricted Stock Unit Plan—SCT Chassis, Inc

On October 25, 2016, the SCT Chassis board of directors authorized and approved the terms of the SCT Chassis Restricted Stock Unit Plan dated as of October 1, 2016 (the "RSU Plan"), the form of Restricted Stock Unit Award and Management Shareholder Agreement (the "RSU MSA") and the list of participants in the Plan that would receive RSU MSAs in 2016. The RSU Plan provides for annual grants of Restricted Stock Units ("RSUs") to participating employees upon the Company's achievement of targeted levels of Adjusted Earnings before Tax ("Adjusted EBT"). Adjusted EBT targets are determined each year during the budget process. The number of shares to be granted is based upon levels of Adjusted EBT attained, the grade level of each participant and the fair value of SCT Chassis Stock at the grant date.

On October 26, 2016, in accordance with the RSU Plan and upon determination of the SCT Chassis Board of Directors, a total of 168,577 RSUs were granted to certain members of Interpool management at a fair value of $8.36 per RSU, or a total fair value of $1,409, for achievement of the Adjusted EBT target for performance year 2015. The fair market value of the RSUs reflects a 22% lack of marketability discount as the RSU Plan provides no provision for participants to sell their shares to the Company. These RSUs will vest in one-third increments on January 1, 2017, 2018 and 2019, respectively with the underlying common stock being delivered to employees no later than March 15 of the year following the year in which the RSUs vest.

A summary of the restricted stock units of SCT Chassis under the Company's new Restricted Stock Unit Plan is as follows. All amounts are in thousands except share and per share amounts.

Non-vested RSUs	RSUs	Weighted-Average Grant Date Fair Value per RSU	Fair Value of RSU at Grant Date
Non-vested at December 31, 2015	—	$ —	$ —
Granted	168,577	8.36	1,409
Forfeited	—	—	—
Vested	—	—	—
Non-vested at December 31, 2016	168,577	$ 8.36	$ 1,409

12. Share-Based Payments (continued)

During the years ended December 31, 2016, 2015 and 2014, the Company recorded share-based compensation expense of $1,821, $625 and $810, respectively. The compensation expense for 2016 includes expense related to both the Restricted Stock Plan and the new RSU Plan. Compensation expense is recorded as a component of Selling, general and administrative expense in the Company's Consolidated Statements of Operations and is recognized on a straight-line basis with the compensation cost recognized as of any date being at least equal to the portion of the grant-date fair value that is vested at that date. Total unrecognized compensation cost was approximately $1,479 at December 31, 2016, which is expected to be recognized over the remaining weighted-average vesting period of 2.0 years. As of December 31, 2016 the total number of shares authorized for grant under the Company's stock incentive program was 2,470,012 with 1,960,993 shares available for future grant.

13. Segment and Geographic Information

The Company's principal business operations consist of the leasing of intermodal transportation equipment. The Company provides such services to its customers through two operating and reportable segments, the Marine Market segment and the Domestic Market segment. The Company does not aggregate its operating segments. The reportable segments are based on the chassis markets that are served by the Company. Revenue and expenses not directly assigned to reportable segments, such as equipment repair and storage services performed at third-party facilities, certain headquarter-related expenses and certain maintenance, repair and positioning costs re-billed to customers are reflected in the Other category. Assets in the Other category are primarily made up of idle chassis and axle sets. Reporting under the aforementioned segment structure facilitates the Company's chief operating decision maker's ability to allocate resources and assess the Company's performance.

The Marine Market segment provides marine chassis to the world's leading shipping lines and motor carriers. A marine chassis is typically 20', 40' or 45' in length and is used in the transport of dry or refrigerated marine shipping containers of the same size carrying goods between port terminals and/or railroad ramps and retail or wholesale warehouse or store locations.

The Domestic Market segment provides domestic chassis to major U.S. intermodal transportation companies and Class I railroads. A domestic chassis is typically 53' in length and is used in the transport of domestic shipping containers of the same size carrying goods between railroad ramps and retail or wholesale warehouses or store locations.

Product offerings in the Marine and Domestic Market segments include both short-term and long-term leasing arrangements. Short term or pool leasing arrangements operate under the concept of a chassis pool, which is similar to a car rental model, whereby the Company provides a shared pool of chassis at major intermodal transportation points such as port terminals and railroad ramps for use by multiple customers on an as-needed basis. Customers in pools generally enter into pool user agreements for a period of 1 to 3 years and may be subject to subscription levels for minimum chassis usage, known as minimum usage or subscription arrangements.

13. Segment and Geographic Information (continued)

The long-term and direct finance leasing arrangements typically represent long-term triple-net leases with fixed rate per diems, which require the lessee to pay all maintenance fees, insurance premiums and tax payments related to the equipment. Under a term lease, the Company retains the benefit and residual value of, and bears the risk of re-leasing the asset at the end of the lease term. Under a direct finance lease, the customer typically receives a bargain purchase option at the expiration of the lease.

The accounting policies of the segments are the same as those described in Note 2; however, certain expenses are allocated among segments using metrics such as revenue, units in fleet, net book value of equipment or headcount. Given their relative significance to total assets and ability to be identified to reportable segments, leasing assets represents the most significant balance sheet item reviewed by the Company's chief operating decision maker.

In accordance with FASB ASC 280-10 and because the Company's management views goodwill as a corporate asset, the Company does not allocate its goodwill balance to its reportable segments. However, in accordance with the provisions of FASB ASC 350, *Intangibles-Goodwill and Other*, the Company is required to allocate goodwill to each reporting unit in order to perform its annual impairment review of goodwill. See Note 6.

The Company evaluates current and future projected segment performance and allocates resources to them primarily based upon Adjusted EBITDA. The Company defines EBITDA as income (loss) before income taxes, interest expense, depreciation and amortization expense, impairment of assets and leasing equipment, early retirement of leasing equipment, loss on modification and extinguishment of debt and capital lease obligations, other expense (income) and interest income. The Company defines Adjusted EBITDA as EBITDA excluding share-based compensation and other non-routine or non-cash items as determined by management plus principal collections on direct finance leases. Adjusted EBITDA helps management identify controllable expenses and make decisions designed to help the Company meet its current financial goals and optimize its financial performance. Accordingly, the Company believes this metric measures its financial performance based on operational factors that management can impact in the short-term, namely the cost structure and expenses of the organization.

(Dollars in Thousands, Except for Share Amounts)

13. Segment and Geographic Information (continued)

The following tables show segment information for the years ended December 31, 2016, 2015 and 2014.

2016	Marine Market segment	Domestic Market segment	Other	Total
Term revenue	$ 35,248	$ 14,594	$ —	$ 49,842
Pool revenue	405,274	169,612	—	574,886
All other revenue	12,695	6,957	24,823	44,475
Total revenue	453,217	191,163	24,823	669,203
Adjusted EBITDA	112,175	102,915	(19,319)	195,771
Depreciation expense	37,285	28,186	8,943	74,414
Net investment in direct finance leases	11,283	23	—	11,306
Leasing equipment	726,722	494,066	187,582	1,408,370
Capital expenditures for long-lived assets	54,750	26,494	16,544	97,788

2015	Marine Market segment	Domestic Market segment	Other	Total
Term revenue	$ 37,938	$ 15,959	$ —	$ 53,897
Pool revenue	444,513	162,837	—	607,350
All other revenue	14,817	8,591	6,769	30,177
Total revenue	497,268	187,387	6,769	691,424
Adjusted EBITDA	150,934	107,305	(31,011)	227,228
Depreciation expense	38,333	27,165	6,630	72,128
Net investment in direct finance leases	12,657	140	—	12,797
Leasing equipment	752,056	534,573	149,349	1,435,978
Capital expenditures for long-lived assets	33,656	41,701	16,920	92,277

2014	Marine Market segment	Domestic Market segment	Other	Total
Term revenue	$ 38,767	$ 17,313	$ —	$ 56,080
Pool revenue	380,491	151,716	—	532,207
All other revenue	21,943	9,615	7,143	38,701
Total revenue	441,201	178,644	7,143	626,988
Adjusted EBITDA	127,779	99,313	(26,160)	200,932
Depreciation expense	37,867	26,666	7,581	72,114
Net investment in direct finance leases	16,105	110	—	16,215
Leasing equipment	789,874	501,609	145,426	1,436,909
Capital expenditures for long-lived assets	111,604	37,772	4,999	154,375

(Dollars in Thousands, Except for Share Amounts)

13. Segment and Geographic Information (continued)

The following table shows the reconciliations of the Company's net income (loss), the most directly comparable U.S. GAAP measure, to Adjusted EBITDA, the Company's total measure of profit.

	Year ended December 31		
	2016	2015	2014
Net income (loss)	$ 19,925	$ 26,718	$ (2,956)
Provision (benefit) for income taxes	10,793	17,880	(3,445)
Interest expense	62,777	80,246	86,837
Depreciation expense	74,414	72,128	72,114
Impairment of leasing equipment	13,917	7,277	5,855
Early retirement of leasing equipment	—	—	37,766
Loss on modification and extinguishment of debt and capital lease obligations	7,486	19,852	315
Interest income	(109)	(19)	(61)
Other income, net	(1,607)	(1,144)	(925)
Restructuring expense	1,806	—	—
Principal collections on direct finance leases, net of interest earned	2,945	3,665	4,622
Share-based compensation	1,821	625	810
Non-recurring professional fees primarily associated with termination of bond offering	1,603	—	—
Adjusted EBITDA	$ 195,771	$ 227,228	$ 200,932

Geographic Information

Primarily all of the Company's revenues and long-lived assets are attributable to the United States, the Company's country of domicile.

14. Defined Contribution Plan

The Company has a defined contribution plan covering substantially all of its eligible employees. Participating employees may make contributions to the plan, through payroll deductions. The Company matches 100% of the employee's contribution to the extent such employee contribution did not exceed 6% of such employee's compensation. For the years ended December 31, 2016, 2015 and 2014, the Company contributed approximately $2,212, $1,993 and $1,961, respectively, to this plan. These amounts are included in Selling, general and administrative expenses on the Consolidated Statements of Operations.

15. Related Party Transactions

Beginning in July 2007, management and facility fees have been allocated among affiliates of Seacastle Inc. Such allocations relate to expenses incurred and services performed by one affiliate on behalf of another affiliate. For the years ended December 31, 2016, 2015 and 2014, the Company reflected income of $89, $124 and $107, respectively, associated with such allocations. Included in such amounts are expenses for share-based compensation allocated from Seacastle Inc., the Parent, relative to both dedicated and shared Seacastle Inc. employees. These amounts are recorded in Selling, general and administrative expenses on the Consolidated Statements of Operations. There was no affiliate receivable balance at December 31, 2016. At December 31, 2015, the Company had a net receivable from affiliate of $584 which is included in Other assets on the Consolidated Balance Sheet.

The Company also leases chassis to the Florida East Coast railway ("FEC") under term lease and pool arrangements. The parent company to the FEC is Florida East Coast Industries, Inc., which is owned by private equity funds managed by affiliates of Fortress Investment Group LLC. For the years ended December 31, 2016, 2015 and 2014, the Company recorded revenue from FEC of $2,359, $2,242 and $1,766, respectively.

As of December 31, 2016, the Company's Vice President of TRAC Interstar, Rodney Goderwis, owned a majority equity position in Core Fleet Retreading ("Core"), a company from which the Company purchases tires. In addition, Mr. Goderwis owned a minority equity position in each of INA Towing Network ("INA") and Caliber Information Systems ("Caliber") from which the Company purchases towing services and maintenance and repair cost control services, respectively. Mr. Goderwis was also a director of Core and INA. Since Mr. Goderwis joined TRAC Interstar in March, 2016 in connection with the Interstar Acquisition, the Company has incurred expenses in the amount of $4,022, $226 and $1,344 from Core and affiliates, INA and Caliber, respectively. In connection with its purchase of tires from Core, the Company is committed to purchasing 45,000 tires annually for a period of five years beginning in 2016. At December 31, 2016, the tire purchase commitments are estimated to be $23,203 with $6,613 committed for 2017 and $5,530 committed for 2018, 2019 and 2020, respectively. See Note 9.

16. Restructuring Charge

During 2016, in response to changing market conditions, the Company initiated a reduction in certain staffing levels. In accordance with the *Compensation – Non-Retirement Post-Employment Benefits* Topic of the FASB ASC, the Company recorded a restructuring charge of $1,806 related to employee severance and termination benefits. This charge is recorded in Restructuring expense in the Consolidated Statements of Operations. At December 31, 2016, the balance in Accrued restructuring is $432 which is included in Accrued expenses and other liabilities on the Consolidated Balance Sheet. The decrease in the liability balance from $1,806 to $432 at December 31, 2016 is due primarily to payments made.

17. Grow New Jersey Tax Credit

On June 10, 2014, the Company was approved to receive a Grow NJ Tax Credit in the amount not to exceed $9,800 subject to the terms and conditions of the Grow New Jersey Assistance Act, P.L. 2011, c. 149, as amended; the Grow NJ Program regulations, N.J.A.C. 19:31-18.1 et seq. subject to final amendments to the regulations; and the terms and conditions set forth in the Approval Letter and in the Incentive Agreement.

During 2015, the Company satisfied all the terms and conditions necessary to obtain the Grow NJ Tax Credit and in January 2016, the New Jersey Division of Taxation approved and issued the overall tax credit certificate for $8,800. Since the grant is payable in yearly increments over a ten year period commencing in 2016, the year the first tax credit certificate is issued, the Company received credits amounting to $880 during the first quarter of 2016. It is anticipated that upon continued compliance with the terms and conditions of the grant, the Company will receive an annual grant of $880 each year from 2017 to 2025.

Additionally, as provided for in the statutes governing the grant, the Company sold the tax credits it received to a third party. The third party agreed to purchase, over the ten year period, all credits not used by the Company at 92.5% of the face value of the credits. On February 25, 2016, the third party purchased tax credits totaling $880 and paid the Company $814. There was also a $4 transfer fee related to this transaction.

Based on the above transaction, the Company recognized Grant income of $538 for the year ended December 31, 2016. This is recorded in Selling, general and administrative expenses in the Consolidated Statements of Operations. At December 31, 2016, the amount in deferred income was $272 which is recorded in Accrued expenses and other liabilities in the Consolidated Balance Sheets.

18. Fair Value of Financial Instruments

The Company applies the provisions included in the *Fair Value Measurement* Topic in the FASB ASC to all financial and non-financial assets and liabilities. This Topic emphasizes that fair value is a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current conditions (that is, an exit price) at the measurement date from the perspective of the market participant that holds the asset or owes the liability. The Topic requires the use of valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. These inputs are prioritized as follows:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date. A quoted price in an active market provides the most reliable evidence of fair value and shall be used without adjustment to measure fair value whenever available.

(Dollars in Thousands, Except for Share Amounts)

18. Fair Value of Financial Instruments (continued)

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

- Level 3: Unobservable inputs for which there is little or no market data and which require internal development of assumptions about how market participants price the asset or liability. In developing unobservable inputs, the Company may begin with its own data, but it shall adjust those data if reasonably available information indicates that other market participants would use different data or there is something particular to the Company that is not available to other market participants.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers counterparty credit risk and the Company's credit risk in its assessment of fair value.

The following table sets forth the valuation of the Company's financial assets and liabilities measured at fair value on a recurring basis by the input levels (as defined) at the dates indicated:

	Fair Value as of December 31,	Fair Value Measurement as of December 31, 2016 using Fair Value Hierarchy		
	2016	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 15,620	$ 15,620	$ —	$ —
Derivative instruments	8,124	—	8,124	—
Liabilities:				
Share Repurchase Liability	959	—	—	959
Redeemable indirect parent shares held by management	2,076	—	—	2,076

	Fair Value as of December 31,	Fair Value Measurement as of December 31, 2015 using Fair Value Hierarchy		
	2015	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 3,161	$ 3,161	$ —	$ —
Derivative instruments	576	—	576	—

(Dollars in Thousands, Except for Share Amounts)

18. Fair Value of Financial Instruments (continued)

Cash and cash equivalents: Cash and cash equivalents include all cash balances and highly liquid investments. These instruments are stated at cost, which approximates market value because of the short-term nature of the instruments.

Derivative instruments: The Company's interest rate derivative was recorded at fair value in Other Assets on the Company's Consolidated Balance Sheets and consists of a United States dollar denominated LIBOR-based interest rate swap. Its fair value was determined using cash flows discounted at relevant market interest rates in effect at the period close. The fair value generally reflected the estimated amounts that the Company would receive or pay to transfer the contracts at the reporting date and therefore reflected the Company's or counterparty's non-performance risk. Additionally, the Company has analyzed each of the redemption features included in the Notes to determine whether any of these embedded features should be bifurcated in accordance with the *Derivatives and Hedging* Topic of the FASB ASC (ASC 815). The Company has concluded that the redemption feature which offers optional redemption by the Company of up to 35% of the aggregate principal amount of the Notes at a redemption price of 111% of the aggregate principal amount of the Notes using the cash proceeds of an equity offering qualifies as a feature that should be bifurcated under ASC 815. The Company has determined that the resulting measurement of the fair value of this derivative is immaterial to the consolidated financial statements, and will reassess the fair value of this derivative each reporting period with any changes recorded in earnings.

Share repurchase liability and Redeemable indirect parent shares held by management: The Share repurchase liability account and the Redeemable indirect parent shares held by management were recorded at fair value and estimated redemption value on the Company's Balance Sheet. The fair value and estimated redemption value of these shares at December 31, 2016 was determined to be $10.50 per share. The value per share was determined by a valuation by the Board of Directors of SCT Chassis. In determining fair market value, the Board of Directors relies on a number of valuation approaches including the market-based approach using current market multiples as well as the income approach utilizing a discounted cash flow analysis.

	Repurchase Liability	Redeemable Shares
Beginning Balance January 1, 2016	$ —	$ —
Instituted Stock Buyback Program - Modification	953	3,378
Share Repurchases	(215)	(1,148)
Revaluation recorded to Paid in capital	—	(154)
Revaluation recorded to Stock compensation expense	(36)	—
Additions for Shares continuing to vest	257	—
Ending Balance December 31, 2016	$ 959	$ 2,076

Leasing equipment that is deemed to be impaired is measured at fair value on a non-recurring basis. The fair value is calculated using the income approach based on inputs classified as level 2 in the fair value hierarchy.

(Dollars in Thousands, Except for Share Amounts)

18. Fair Value of Financial Instruments (continued)

The Company believes the carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and other liabilities approximates the fair value of these financial instruments because of their short-term nature.

Debt: The Company's debt consists of fixed and floating rate instruments. Variable interest rate debt is $596,370 as of December 31, 2016 and $584,401 as of December 31, 2015. Variable interest rate debt at December 31, 2016 and December 31, 2015 is net of $450,000 and $300,000 of variable rate debt which has been effectively converted to fixed rate debt through the use of interest rate swaps. Accordingly, the Company's variable rate debt approximates market value for similar instruments at the respective dates. The Company had fixed rate debt of $501,031 as of December 31, 2016 and $496,278 as of December 31, 2015. In order to estimate the fair value of its fixed rate debt, where quoted market prices were not available, the Company valued the instruments using a present value discounted cash flow analysis with a discount rate approximating current market rates of similar term debt at the end of each period. The discount rate used in the present value calculation was 5.00% at December 31, 2016 and 4.90% at December 31, 2015. Fair value was calculated based on inputs classified as Level 2 in the fair value hierarchy.

The carrying amounts and fair values of the Company's financial instruments are as follows:

	December 31, 2016		December 31, 2015	
	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)
Derivative instrument	8,124	8,124	576	576
Total debt	(1,097,401)	(1,107,684)	(1,080,679)	(1,094,088)

19. Guarantor Financial Information

On August 9, 2012, TRAC along with TRAC Intermodal Corp., entered into a Purchase Agreement pursuant to which it sold $300,000 aggregate principal amount of the Original Notes. Concurrent with the offering of the Original Notes, the Company entered into a registration rights agreement with investors which required the Company to file a registration statement with the Securities and Exchange Commission to offer exchange notes with terms substantially identical in all material respects to the Notes within 365 days of closing. The exchange offer commenced on June 6, 2013 and expired on July 5, 2013. Based on information provided by Wells Fargo Bank, N.A., the exchange agent for the exchange offer, as of the expiration date, $300,000 aggregate principal amount of the Original Notes were validly tendered for exchange, representing 100% of the principal amount of the outstanding Original Notes. The Notes are jointly and severally guaranteed unconditionally on a senior secured basis by all of the Issuer's existing and future wholly-owned domestic subsidiaries, with certain exceptions. All guarantor subsidiaries are 100% owned by the Issuer. On August 17, 2015, the Company redeemed $150,000 aggregate principal amount of the Notes. Additionally, on August 15, 2016 and December 28, 2016, the Company redeemed $80,000 and $25,000 aggregate principal amount of the Notes, respectively. As of December 31, 2016, $45,000 aggregate principal amount of the Notes remain outstanding. Additionally, on February 27, 2017, the Company redeemed $25,000 aggregate principal amount of the Notes. See Notes 7 and 20 to the Consolidated Financial Statements.

(Dollars in Thousands, Except for Share Amounts)

19. Guarantor Financial Information (continued)

TRAC Intermodal LLC
Condensed Consolidating Balance Sheet
December 31, 2016

	Issuer Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ —	$ 11,428	$ 4,192	$ —	$ 15,620
Accounts receivable, net	—	96,280	618	—	96,898
Net investment in direct finance leases	—	17,654	—	(6,348)	11,306
Leasing equipment, net of accumulated depreciation	—	1,396,750	11,620	—	1,408,370
Goodwill	—	256,815	—	—	256,815
Intercompany interest receivable	1,856	—	—	(1,856)	—
Intercompany note receivable	45,000	—	—	(45,000)	—
Investment in subsidiary	549,223	8,448	—	(557,364)	307
Other assets	—	56,294	241	—	56,535
Total assets	$ 596,079	$ 1,843,669	$ 16,671	$ (610,568)	$ 1,845,851
Liabilities and member's interest					
Accounts payable, accrued expenses and other liabilities	$ 1,856	$ 60,626	$ 148	$ —	$ 62,630
Intercompany note payable	—	45,000	—	(45,000)	—
Intercompany interest payable	—	1,856	—	(1,856)	—
Intercompany lease payable	—	—	6,348	(6,348)	—
Deferred income taxes, net	—	145,731	2,034	—	147,765
Debt and capital lease obligations less debt issuance costs	45,000	1,039,157	—	—	1,084,157
Total liabilities	46,856	1,292,370	8,530	(53,204)	1,294,552
Redeemable indirect parent shares held by management	—	2,076	—	—	2,076
Total member's interest	549,223	549,223	8,141	(557,364)	549,223
Total liabilities and member's interest	$ 596,079	$ 1,843,669	$ 16,671	$ (610,568)	$ 1,845,851

(Dollars in Thousands, Except for Share Amounts)

19. Guarantor Financial Information (continued)

TRAC Intermodal LLC
Condensed Consolidating Statements of Operations
and Comprehensive Income
For The Year Ended December 31, 2016

	Issuer Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenue	$ —	$ 666,196	$ 3,206	$ (199)	$ 669,203
Direct operating expenses	—	373,922	44	—	373,966
Selling, general and administrative expenses	—	97,475	548	—	98,023
Depreciation expense	—	73,844	570	—	74,414
Provision for doubtful accounts	—	7,812	—	—	7,812
Impairment of leasing equipment	—	13,917	—	—	13,917
Restructuring expense	—	1,806	—	—	1,806
Loss on modification and extinguishment of debt and capital lease obligations	—	7,486	—	—	7,486
Interest expense	13,192	62,776	200	(13,391)	62,777
Interest income	(13,192)	(101)	(8)	13,192	(109)
Equity in earnings of subsidiary	(19,925)	(1,800)	—	21,725	—
Other income, net	—	(1,607)	—	—	(1,607)
Total expenses	(19,925)	635,530	1,354	21,526	638,485
Income before provision for income taxes	19,925	30,666	1,852	(21,725)	30,718
Provision for income taxes	—	10,741	52	—	10,793
Net income	19,925	19,925	1,800	(21,725)	19,925
Unrealized gain on derivative instruments, net of tax of ($3,061)	—	4,738	—	—	4,738
Derivative loss reclassified into earnings, net of tax of ($6,425)	—	9,934	—	—	9,934
Foreign currency translation loss, net of tax of ($128)	—	—	—	—	—
Total other comprehensive income	—	14,672	—	—	14,672
Total comprehensive income	$ 19,925	$ 34,597	$ 1,800	$ (21,725)	$ 34,597

(Dollars in Thousands, Except for Share Amounts)

19. Guarantor Financial Information (continued)

TRAC Intermodal LLC
Condensed Consolidating Statement of Cash Flows
For The Year Ended December 31, 2016

	Issuer Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	$ —	$ 148,413	$ 1,122	$ 1,517	$ 151,052
Investing activities:					
Proceeds from sale of leasing equipment	—	4,156	—	—	4,156
Collections on net investment in direct finance leases, net of interest earned	—	4,462	—	(1,517)	2,945
Business acquisition	—	(4,791)	—	—	(4,791)
Sale of Interpool shares	51,185	—	—	(51,185)	—
Investment in direct finance leases	—	(1,276)	—	—	(1,276)
Purchase of leasing equipment	—	(79,967)	—	—	(79,967)
Purchase of fixed assets	—	(16,545)	—	—	(16,545)
Net cash used in investing activities	51,185	(93,961)	—	(52,702)	(95,478)
Financing activities:					
Proceeds from long-term debt	105,000	294,000	—	(105,000)	294,000
Repayment of long-term debt	(105,000)	(277,699)	—	105,000	(277,699)
Cash paid for debt issuance fees	—	(306)	—	—	(306)
Dividend paid	(51,185)	40	—	—	(51,145)
Repurchase of Interpool shares	—	(51,185)	—	51,185	—
Premium paid for redemption of notes	—	(5,775)	—	—	(5,775)
Business acquisition contingent payment	—	(478)	—	—	(478)
Repurchase of shares from employees	—	(1,669)	—	—	(1,669)
Net cash used in financing activities	(51,185)	(43,072)	—	51,185	(43,072)
Effect of changes in exchange rates on cash and cash equivalents	—	(43)	—	—	(43)
Net increase in cash and cash equivalents	—	11,337	1,122	—	12,459
Cash and cash equivalents, beginning of period	—	91	3,070	—	3,161
Cash and cash equivalents, end of period	—	$ 11,428	$ 4,192	$ —	$ 15,620

(Dollars in Thousands, Except for Share Amounts)

19. Guarantor Financial Information (continued)

TRAC Intermodal LLC
Condensed Consolidating Balance Sheet
December 31, 2015

	Issuer Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ —	$ 91	$ 3,070	$ —	$ 3,161
Accounts receivable, net	—	110,039	623	—	110,662
Net investment in direct finance leases	—	20,464	—	(7,667)	12,797
Leasing equipment, net of accumulated depreciation	—	1,423,788	12,190	—	1,435,978
Goodwill	—	251,907	—	—	251,907
Affiliate and intercompany receivable	—	590	—	(6)	584
Intercompany interest receivable	6,188	—	—	(6,188)	—
Intercompany note receivable	150,000	—	—	(150,000)	—
Investment in subsidiary	568,654	6,575	—	(574,992)	237
Other assets	—	31,911	259	—	32,170
Total assets	$ 724,842	$ 1,845,365	$ 16,142	$ (738,853)	$ 1,847,496
Liabilities and member's interest					
Accounts payable, accrued expenses and other liabilities	$ 6,188	$ 82,598	$ 147	$ —	$ 88,933
Intercompany payable	—	—	6	(6)	—
Intercompany note payable	—	150,000	—	(150,000)	—
Intercompany interest payable	—	6,188	—	(6,188)	—
Intercompany lease payable	—	—	7,667	(7,667)	—
Deferred income taxes, net	—	125,596	1,984	—	127,580
Debt and capital lease obligations less debt issuance costs	150,000	912,329	—	—	1,062,329
Total liabilities	156,188	1,276,711	9,804	(163,861)	1,278,842
Total member's interest	568,654	568,654	6,338	(574,992)	568,654
Total liabilities and member's interest	$ 724,842	$ 1,845,365	$ 16,142	$ (738,853)	$ 1,847,496

(Dollars in Thousands, Except for Share Amounts)

19. Guarantor Financial Information (continued)

TRAC Intermodal LLC
Condensed Consolidating Statements of Operations
and Comprehensive Income
For The Year Ended December 31, 2015

	Issuer Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenue	$ —	$ 688,460	$ 3,201	$ (237)	$ 691,424
Direct operating expenses	—	377,673	42	—	377,715
Selling, general and administrative expenses	—	90,674	605	—	91,279
Depreciation expense	—	71,556	572	—	72,128
Recovery for doubtful accounts	—	(258)	—	—	(258)
Impairment of leasing equipment	—	7,277	—	—	7,277
Loss on modification and extinguishment of debt and capital lease obligations	—	19,852	—	—	19,852
Interest expense	26,721	80,243	240	(26,958)	80,246
Interest income	(26,721)	(19)	—	26,721	(19)
Equity in earnings of subsidiary	(26,718)	(1,696)	—	28,414	—
Other income, net	—	(1,386)	(8)	—	(1,394)
Total expenses	(26,718)	643,916	1,451	28,177	646,826
Income before provision for income taxes	26,718	44,544	1,750	(28,414)	44,598
Provision for income taxes	—	17,826	54	—	17,880
Net income	26,718	26,718	1,696	(28,414)	26,718
Unrealized gain on derivative instruments, net of tax of $601	—	(923)	—	—	(923)
Derivative loss reclassified into earnings, net of tax of ($7,920)	—	12,257	—	—	12,257
Foreign currency translation loss, net of tax of $636	—	(820)	—	—	(820)
Total other comprehensive income	—	10,514	—	—	10,514
Total comprehensive income	$ 26,718	$ 37,232	$ 1,696	$ (28,414)	$ 37,232

(Dollars in Thousands, Except for Share Amounts)

19. Guarantor Financial Information (continued)

TRAC Intermodal LLC
Condensed Consolidating Statement of Cash Flows
For The Year Ended December 31, 2015

	Issuer Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	$ —	$ 178,970	$ 851	$ 1,514	$ 181,335
Investing activities:					
Proceeds from sale of leasing equipment	—	11,528	—	—	11,528
Collections on net investment in direct finance leases, net of interest earned	—	5,179	—	(1,514)	3,665
Proceeds from sale of other assets, net of other investing activities	—	2,056	—	—	2,056
Purchase of leasing equipment	—	(75,357)	—	—	(75,357)
Purchase of fixed assets	—	(16,920)	—	—	(16,920)
Net cash used in investing activities	—	(73,514)	—	(1,514)	(75,028)
Financing activities:					
Proceeds from long-term debt	—	1,179,194	—	—	1,179,194
Repayment of long-term debt	—	(1,263,736)	—	—	(1,263,736)
Cash paid for debt issuance fees	—	(9,999)	—	—	(9,999)
Premium paid for redemption of notes	—	(12,375)	—	—	(12,375)
Sale of investment in indirect parent	—	993	—	—	993
Repurchase of shares from employees	—	(594)	—	—	(594)
Net cash used in financing activities	—	(106,517)	—	—	(106,517)
Effect of changes in exchange rates on cash and cash equivalents	—	(885)	—	—	(885)
Net (decrease) increase in cash and cash equivalents	—	(1,946)	851	—	(1,095)
Cash and cash equivalents, beginning of period	—	2,037	2,219	—	4,256
Cash and cash equivalents, end of period	$ —	$ 91	$ 3,070	$ —	$ 3,161

(Dollars in Thousands, Except for Share Amounts)

19. Guarantor Financial Information (continued)

TRAC Intermodal LLC
Condensed Consolidating Statements of Operations
and Comprehensive (Loss) Income
For The Year Ended December 31, 2014

	Issuer Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenue	$ —	$ 624,059	$ 3,205	$ (276)	$ 626,988
Direct operating expenses	—	333,095	40	—	333,135
Selling, general and administrative expenses	—	83,788	558	—	84,346
Depreciation expense	—	71,518	596	—	72,114
Provision for doubtful accounts	—	14,007	—	—	14,007
Impairment of leasing equipment	—	5,855	—	—	5,855
Early retirement of leasing equipment	—	37,766	—	—	37,766
Loss on modification and extinguishment of debt and capital lease obligations	—	315	—	—	315
Interest expense	33,000	86,836	277	(33,276)	86,837
Interest income	(33,000)	(61)	—	33,000	(61)
Equity in earnings of subsidiary	2,956	(1,512)	—	(1,444)	—
Other income, net	—	(925)	—	—	(925)
Total expenses	2,956	630,682	1,471	(1,720)	633,389
(Loss) income before (benefit) provision for income taxes	(2,956)	(6,623)	1,734	1,444	(6,401)
(Benefit) provision for income taxes	—	(3,667)	222	—	(3,445)
Net (loss) income	(2,956)	(2,956)	1,512	1,444	(2,956)
Unrealized gain on derivative instruments, net of tax of $585	—	(899)	—	—	(899)
Derivative loss reclassified into earnings, net of tax of ($7,265)	—	11,025	—	—	11,025
Foreign currency translation loss, net of tax of $364	—	(395)	—	—	(395)
Total other comprehensive income	—	9,731	—	—	9,731
Total comprehensive (loss) income	$ (2,956)	$ 6,775	$ 1,512	$ 1,444	$ 6,775

(Dollars in Thousands, Except for Share Amounts)

19. Guarantor Financial Information (continued)

TRAC Intermodal LLC
Condensed Consolidating Statement of Cash Flows
For The Year Ended December 31, 2014

	Issuer Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	$ —	$ 135,211	$ 1,684	$ 1,654	$ 138,549
Investing activities:					
Proceeds from sale of leasing equipment	—	8,265	—	—	8,265
Collections on net investment in direct finance leases, net of interest earned	—	6,276	—	(1,654)	4,622
Purchase of leasing equipment	—	(149,376)	—	—	(149,376)
Purchase of fixed assets	—	(4,999)	—	—	(4,999)
Net cash used in investing activities	—	(139,834)	—	(1,654)	(141,488)
Financing activities:					
Proceeds from long-term debt	—	148,000	—	—	148,000
Repayment of long-term debt	—	(148,292)	—	—	(148,292)
Cash paid for debt issuance fees	—	(3,156)	—	—	(3,156)
Repurchase of shares from employees	—	(858)	—	—	(858)
Net cash used in financing activities	—	(4,306)	—	—	(4,306)
Effect of changes in exchange rates on cash and cash equivalents	—	(342)	—	—	(342)
Net (decrease) increase in cash and cash equivalents	—	(9,271)	1,684	—	(7,587)
Cash and cash equivalents, beginning of period	—	11,308	535	—	11,843
Cash and cash equivalents, end of period	$ —	$ 2,037	$ 2,219	$ —	$ 4,256

20. Subsequent Events

Chassis Purchase Option Exercised

On January 3, 2017, the Company exercised a purchase option for a maturing capital lease for an aggregate purchase price of $5,937.

Redemption of Notes

On January 27, 2017, the Company and TRAC Intermodal Corp. (collectively, the "Issuers") delivered to the holders of the Notes a notice of redemption notifying the holders that the Issuers have elected to redeem $25,000 in aggregate principal amount of the outstanding Notes. The Notes were called for redemption on February 27, 2017, at a redemption price equal to 105.500 percent of the principal amount.

On February 27, 2017, the Company borrowed $19,000 (the "Borrowing") under the ABL Facility to partially finance the redemption. This amount currently carries an interest rate of one-month USD LIBOR + 2.25% and matures on December 10, 2020, which is the maturity date of the ABL Facility. Approximately $26,375 was paid to redeem the Notes, $25,000 aggregate principal amount and a premium of $1,375. Additionally, approximately $308 of deferred financing fees related to these Notes were expensed upon redemption.

Purchase of assets

On February 1, 2017, the Company agreed to purchase 1,028 chassis from one of its shipping line customers for an aggregate purchase price of $4,112.

SoftBank Acquisition of Fortress

On February 14, 2017, Fortress and SoftBank Group Corp., a corporation organized under the laws of Japan ("SoftBank"), issued a joint press release announcing that they had entered into definitive agreements pursuant to which SoftBank will acquire Fortress. The transaction is subject to approval by Fortress shareholders, certain regulatory approvals and other customary closing conditions, and is expected to close in the second half of 2017.

Building a better
working world

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Member
TRAC Intermodal LLC

We have audited the accompanying consolidated balance sheets of TRAC Intermodal LLC and Subsidiaries as of December 31, 2016 and 2015 and the related consolidated statements of operations, comprehensive income (loss), member's interest and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the index on page F-1. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our December 31, 2016 audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. We conducted our December 31, 2015 audit 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TRAC Intermodal LLC and Subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Iselin, New Jersey
March 7, 2017

For more
Information

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TRAC Intermodal is the world's largest provider of marine and domestic chassis, measured by total assets, operating throughout the United States, Canada and Mexico. TRAC Intermodal provides short term rentals through an extensive chassis pool network, long term chassis leasing and pool/fleet management through the utilization of its proprietary PoolStat® information management system. TRAC Intermodal's active fleet consists of approximately 264,000 chassis. TRAC Intermodal has a broad operating footprint with 580 marine, 170 domestic and 60 depot locations across North America and is the leader in providing chassis solutions to the intermodal industry.

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