2012 Annual Report

TRAC INTERMODAL®

CEO Annual Report Letter

During 2012, TRAC Intermodal had strong revenue and volume growth across our two primary business segments. The Marine Business segment continued its positive transformation as steamship lines migrate to the 'motor carrier model'. Our Domestic Business segment is also experiencing good growth as shippers convert cargo moves from the highway to the railways. For the year ending December 31, 2012, our Revenue grew 22% and our Adjusted Net Income[1] increased from $1 million in 2011 to $13 million.

The Marine Business segment contributed approximately 62% of our consolidated revenue and provides a solid platform for growth. As steamship lines move away from providing chassis as part of their intermodal container service, customers increasingly look to TRAC Intermodal for their chassis needs. The market shift in chassis provisioning is a multi-year trend that gives TRAC an opportunity to expand our market share by serving the chassis needs of a growing base of customers, including motor carriers and beneficial cargo owners.

The Domestic Business segment contributed approximately 35% of our consolidated revenues and continues to benefit from the shift of freight from trucks moving on the highway to freight moving intermodal on the railway. We also concluded a number of long term contracts with key customers that contributed to our 2012 revenue growth.

Several cost control programs initiated in 2012 reduced operating expenses for items such as tires and chassis replacement parts. We also refinanced our long term debt that reduced our average cost of capital.

As the largest intermodal chassis solutions provider in North America, we will continue to focus on growing our revenue and increasing our earnings during 2013. We will continue to facilitate the steamship lines' transition to the motor carrier model by purchasing their chassis and we'll expand the number and quality of chassis operating in our pools. We will increase the number of pool locations we manage and continue our focus on providing an outstanding customer experience.

We have a top-tier team that is dedicated to driving operational excellence and we have the financial resources and skills to achieve our plans. We look forward to 2013 being another positive year for TRAC Intermodal.

Sincerely,

Keith Lovetro

Keith Lovetro
President and Chief Executive Officer

[1] Adjusted Net Income - excludes non-cash interest, non-cash stock compensation, loss on retirement of debt, loss on termination and modification of derivative instruments and fair value adjustment for derivative instruments; all items net of tax.

TRAC Intermodal LLC and Subsidiaries

Consolidated Balance Sheets

(Dollars in Thousands)

At December 31, 2011 and 2012

	December 31 2011	December 31 2012
Assets		
Cash and cash equivalents	$ 29,005	**$ 26,556**
Accounts receivable, net of allowance of $4,640 and $7,325, respectively	57,647	**80,620**
Net investment in direct finance leases	54,776	**40,729**
Leasing equipment, net of accumulated depreciation of $253,778 and $309,010, respectively	1,292,660	**1,325,383**
Goodwill	251,907	**251,907**
Other assets	22,054	**43,268**
Total assets	$ 1,708,049	**$ 1,768,463**
Liabilities and member's interest		
Liabilities:		
Accounts payable	$8,891	**$10,270**
Accrued expenses and other liabilities	25,808	**37,045**
Fair value of derivative instruments	79,082	**–**
Deferred income	870	**275**
Deferred income taxes	76,112	**73,569**
Debt and capital lease obligations:		
Due within one year	48,756	**25,884**
Due after one year	927,887	**1,082,513**
Total debt and capital lease obligations	976,643	**1,108,397**
Total liabilities	1,167,406	**1,229,556**
Commitment and contingencies *(Note 8)*	–	**–**
Member's interest:		
Member's interest	592,266	**590,883**
Accumulated other comprehensive loss	(51,623)	**(51,976)**
Total member's interest	540,643	**538,907**
Total liabilities and member's interest	$ 1,708,049	**$ 1,768,463**

See accompanying notes.

TRAC Intermodal LLC and Subsidiaries

Consolidated Statements of Operations
(Dollars in Thousands)

For the Years Ended December 31, 2010, 2011 and 2012

	Year ended December 31		
	2010	**2011**	**2012**
Revenues			
Equipment leasing revenue	$ 244,986	$ 302,156	**$ 373,060**
Finance revenue	8,966	6,155	**5,116**
Other revenue	26,905	31,033	**36,417**
Total revenues	280,857	339,344	**414,593**
Expenses			
Direct operating expenses	144,465	172,075	**214,125**
Selling, general and administrative expenses	34,438	40,942	**46,038**
Depreciation expense	60,857	64,391	**66,052**
Provision for doubtful accounts	74	3,954	**4,137**
Impairment of leasing equipment	8,713	1,544	**6,506**
Loss on modification and extinguishment of debt	40	733	**8,850**
Interest expense	69,329	65,835	**75,102**
Interest income	(346)	(633)	**(143)**
Other expense (income), net	134	(1,535)	**(809)**
Total expenses	317,704	347,306	**419,858**
Loss before benefit for income taxes	(36,847)	(7,962)	**(5,265)**
Benefit for income taxes	(17,641)	(4,054)	**(2,175)**
Net loss	$ (19,206)	$ (3,908)	**$ (3,090)**

See accompanying notes.

TRAC Intermodal LLC and Subsidiaries

Consolidated Statements of Comprehensive Loss

(Dollars in Thousands)

For the Years Ended December 31, 2010, 2011 and 2012

	Year Ended December 31		
	2010	**2011**	**2012**
Net loss	$ (19,206)	$ (3,908)	**$ (3,090)**
Unrealized loss on derivative instruments, net of tax of $9,803, $7,768 and $4,462, respectively	(15,441)	(11,507)	**(6,772)**
Derivative loss reclassified into earnings, net of tax of ($2,897), ($1,603) and ($4,757), respectively	4,249	2,490	**6,261**
Foreign currency translation gain, net of tax of ($317), ($427) and ($195), respectively	652	642	**158**
Total other comprehensive loss, net of tax	(10,540)	(8,375)	**(353)**
Total comprehensive loss	$ (29,746)	$ (12,283)	**$ (3,443)**

See accompanying notes.

TRAC Intermodal LLC and Subsidiaries

Consolidated Statements of Member's Interest

(Dollars in Thousands)

For the Years Ended December 31, 2010, 2011 and 2012

	Member's Interest	Accumulated Other Comprehensive Loss	Total Member's Interest
Balance, December 31, 2009	$ 615,380	$ (32,708)	$ 582,672
Net loss	(19,206)	–	(19,206)
Other comprehensive loss	–	(10,540)	(10,540)
Balance, December 31, 2010	$ 596,174	$ (43,248)	$ 552,926
Net loss	(3,908)	–	(3,908)
Other comprehensive loss	–	(8,375)	(8,375)
Balance, December 31, 2011	$ 592,266	$ (51,623)	$ 540,643
Capital contribution from member	**3,616**	**–**	**3,616**
Investment in indirect parent	**(3,616)**	**–**	**(3,616)**
Repurchase of shares from employees	**(307)**	**–**	**(307)**
Share exchange	**217**	**–**	**217**
Stock based compensation	**1,797**	**–**	**1,797**
Net loss	**(3,090)**	**–**	**(3,090)**
Other comprehensive loss	**–**	**(353)**	**(353)**
Balance, December 31, 2012	**$ 590,883**	**$ (51,976)**	**$ 538,907**

See accompanying notes.

TRAC Intermodal LLC and Subsidiaries

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Year ended December 31		
	2010	**2011**	**2012**
Cash flows from operating activities			
Net loss	$ (19,206)	$ (3,908)	**$ (3,090)**
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	61,185	65,061	**66,471**
Provision for doubtful accounts	74	3,954	**4,137**
Amortization of deferred financing fees	3,235	2,760	**4,001**
Loss on modification and extinguishment of debt	40	733	**8,850**
Derivative loss reclassified into earnings	7,146	4,093	**11,018**
Ineffective portion of cash flow hedges	(717)	189	**53**
Payments to terminate derivative instruments	–	(5,006)	**(90,370)**
Impairment of leasing equipment	8,713	1,544	**6,506**
Stock based compensation	64	58	**1,765**
Deferred income taxes	(15,709)	(4,270)	**(5,028)**
Other, net	(1,028)	(1,417)	**(217)**
Changes in assets and liabilities:			
Accounts receivable	(7,689)	(16,916)	**(27,110)**
Other assets	487	(700)	**848**
Accounts payable	2,339	(513)	**1,546**
Accrued expenses and other liabilities	5,388	(12,942)	**12,944**
Deferred income	(83)	(188)	**(595)**
Net cash provided by (used in) operating activities	44,239	32,532	**(8,271)**
Cash flows from investing activities			
Proceeds from sale of leasing equipment	2,891	5,803	**2,689**
Collections on net investment in direct finance leases, net of interest earned	33,016	12,191	**7,836**
Proceeds from the sale of other assets	3,290	–	**–**
(Increase) decrease in restricted cash	(450)	6,060	**–**
Purchase of leasing equipment	(43,760)	(31,707)	**(102,989)**
Investment in direct finance leases	(250)	–	**–**
Purchase of fixed assets	(762)	(823)	**(588)**
Net cash used in investing activities	(6,025)	(8,476)	**(93,052)**
Cash flows from financing activities			
Proceeds from long-term debt	–	111,704	**932,397**
Repayments of long-term debt	(53,014)	(143,743)	**(800,738)**
Cash paid for debt issuance fees	(1,727)	(1,964)	**(32,588)**
Capital contribution from member	–	–	**3,616**
Investment in indirect parent	–	–	**(3,616)**
Repurchase of shares from employees	–	–	**(307)**
Net cash (used in) provided by financing activities	(54,741)	(34,003)	**98,764**
Effect of changes in exchange rates on cash and cash equivalents	560	275	**110**
Net decrease in cash and cash equivalents	(15,967)	(9,672)	**(2,449)**
Cash and cash equivalents, beginning of year	54,644	38,677	**29,005**
Cash and cash equivalents, end of year	$ 38,677	$ 29,005	**$ 26,556**
Supplemental disclosures of cash flow information			
Cash paid for interest	$ 58,471	$ 58,538	**$ 53,552**
Cash paid (refunded) for taxes, net	$ 1,454	$ 15,931	**$ (1,487)**
Supplemental non-cash financing activities			
Purchase of leasing equipment financed through debt and capital lease obligations	$ 31,128	$ 75,696	**$ –**

See accompanying notes.

TRAC Intermodal LLC and Subsidiaries

Notes to Consolidated Financial Statements
(Dollars in Thousands, Except for Share Amounts)

At December 31, 2011 and 2012

1. Description of the Business and Basis of Presentation

TRAC Intermodal LLC (the “Company” or “TRAC”) is a Delaware limited liability company and TRAC Intermodal Corp. is a Delaware corporation, both of which were formed by Seacastle Inc., the Company’s ultimate parent, on July 13, 2012 to facilitate the issuance of Senior Secured Notes offered in the Offering Memorandum dated August 2, 2012 (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 this prospectus relating to the exchange of the Original Notes for notes which have been registered under the Securities Act pursuant to the terms set forth in this 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 will 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 Intermodal LLC, which is 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 (“NYSE”) as a public company in 1993 and was acquired and taken private by Seacastle in July 2007. Additionally in 2009, a subsidiary of the Company purchased shares representing a 36% ownership in an indirect parent of TRAC. This investment was reflected as contra-equity and netted against Member’s interest section of the Company’s Consolidated Balance Sheet.

The accompanying Consolidated Financial Statements of TRAC Intermodal LLC and subsidiaries 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. Within this single industry, 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

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

transportation companies and Class 1 railroads. The Company purchases equipment directly 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, the Company's country of domicile.

For the years ended December 31, 2010, 2011 and 2012, approximately 88%, 83% and 78% of the Company's total revenues were earned from its top 25 customers. The primary customers for the Company's chassis continue to be international shipping lines and major U.S. railroads. However, during 2011 and 2012, 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 approximately 2,345 motor carriers whose per diem billing rates are generally higher than that of shipping lines and railroad customers. Motor carrier billings represented approximately 5% and 12% of the Company's total revenues for the years ended December 31, 2011 and 2012, 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.

The Company evaluates subsequent events and the evidence they provide about conditions existing at the date of the balance sheet as well as conditions that arose after the balance sheet date but before the financial statements are issued. The effects of conditions that existed at the date of the balance sheet date are recognized in the financial statements. Events and conditions arising after the balance sheet date but before the financial statements are issued are evaluated to determine if disclosure is required to keep the financial statements from being misleading. To the extent such events and conditions exist, disclosures are made regarding the nature of events and the estimated financial effects for those events and conditions. For purposes of preparing the accompanying Consolidated Financial Statements and the following notes to these financial statements, the Company has evaluated subsequent events through March 15, 2013, the date the financial statements were available to be issued.

Reclassification

Certain reclassifications have been made to the 2010 and 2011 amounts in order to conform to the 2012 presentation.

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.

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, 2010, 2011 and 2012, the Company earned approximately 64%, 59% and 58% of revenues from its top ten customers, respectively.

The Company's largest customer accounted for approximately 11%, 10% and 10% of total revenues in 2010, 2011 and 2012, respectively. These revenues are included in the Marine Market segment. Based on balances due at December 31, 2012, 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 $6,562. 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 10% 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.

2. Summary of Significant Accounting Policies (continued)

Management does not believe significant risk exists in connection with the Company's concentrations of credit as of December 31, 2012.

The Company also has a concentration of credit within its direct finance lease portfolio. The Company's top three customers account for approximately 75%, 81% and 88% of the outstanding principal at December 31, 2010, 2011 and 2012, respectively. 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, and present certain claims to its insurers of default losses. 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.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments having original maturities of three months or less at the time of purchase. 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 avoided under a direct finance lease. Management performs annual reviews of the estimated residual values which can vary depending on a number of factors.

2. Summary of Significant Accounting Policies (continued)

Leasing Equipment

Leasing equipment includes chassis and other equipment, primarily domestic containers and generator sets. The total of Other equipment is less than 1% of the net book value of Leasing equipment. 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	17.5-22.5	$2,600
Other	10.0-12.5	$270 to $2,100

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.

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

2. Summary of Significant Accounting Policies (continued)

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.

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

As of December 31, 2012, 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.

2. Summary of Significant Accounting Policies (continued)

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

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.

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 free 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. Free cash flow is 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 free cash flow, a different result could be obtained.

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.

2. Summary of Significant Accounting Policies (continued)

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 costs 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 cost on share-based payment awards that contain pro rata vesting provisions 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. The Company expects to settle with affiliates all management fees, including these awards, in cash.

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 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.

During 2011, the Company dissolved several foreign subsidiaries. As a result of these dissolutions, cumulative foreign currency translation losses amounting to $639 (which is net of

2. Summary of Significant Accounting Policies (continued)

tax of $426) were reclassified from Accumulated other comprehensive loss into earnings. The pretax loss of $1,065 is included in Other (income) expense, net in the Consolidated Statements of Operations.

Management Services

In addition to leasing equipment which it owns or which it 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.

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 Accumulated other comprehensive loss in the Consolidated Statements of Member's Interest. 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

2. Summary of Significant Accounting Policies (continued)

the Fortis Facility (as defined below), the Company terminated all of its interest rate derivatives. Balances in Accumulated 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 transaction 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 Accumulated other comprehensive loss would be recognized in the Consolidated Statement of Operations immediately. See also Notes 8, 11 and 16 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. 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.

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.

2. Summary of Significant Accounting Policies (continued)

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 bills the lessee for the expected cost to repair the equipment based on a repair survey performed at the depot. The Company bills 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.

Deferred Income

Deferred income includes cash received for advanced rental fees and advanced payments for future maintenance and repairs. The amounts received for the advanced rental fees are recognized as Equipment leasing revenue when earned, while the amounts received with respect to the maintenance and repairs are recognized as Other revenue when earned.

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 ("off-hire equipment") and for equipment in our 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. Repositioning costs 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

During 2012, certain of the Company's shipping line customers began migrating away from providing chassis as an integral part of their transportation related services. As a result, the Company is providing a greater number of chassis directly to motor carriers who represent a higher credit risk than the Company's traditional customer base. Notwithstanding this change, the Company's methodology for assessing the adequacy of the provision for doubtful accounts has not changed significantly.

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 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) expense, 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, 2010, 2011 and 2012, the Company recorded net gains of $282, $1,369 and $217, respectively.

Provision (Benefit) for Income Taxes

The Company's results of operations and financial position are prepared on a stand-alone basis. The Company is a Limited Liability Company with a single member and therefore has recorded a provision for U.S. income taxes.

2. Summary of Significant Accounting Policies (continued)

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 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.

Recently Adopted and Recently Issued Accounting Standards

Adopted in 2012

In May 2011, the FASB issued authoritative guidance on accounting for Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). This pronouncement changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and IFRS. It also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. The amendments were effective for the Company for the year ended December 31, 2012 and are to be applied prospectively. The adoption of this standard did not materially change the Notes to the Consolidated Financial Statements.

In June 2011, the FASB issued authoritative guidance on accounting for *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* ("ASU 2011-05"). This pronouncement eliminates the option to report other comprehensive income and its components in the Statement of Changes in Shareholders' Equity. It also requires that all non-owner changes in shareholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. This new guidance is effective for the Company for the year ended December 31, 2012 and annual and interim periods thereafter. The amendments in this update should be applied retrospectively and early adoption is permitted. The Company adopted this guidance as of January 1, 2012 and has presented the components of net income and other comprehensive income in two separate but consecutive statements.

2. Summary of Significant Accounting Policies (continued)

In September 2011, the FASB issued authoritative guidance on accounting for *Intangibles– Goodwill and Other (Topic 350): Testing Goodwill for Impairment* (“ASU 2011-08”). The amendments in this Update are intended to reduce complexity and costs by allowing an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether it should calculate the fair value of a reporting unit. The amendments also improve previous guidance by expanding upon the examples of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. These amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The adoption of this standard in 2012 did not have any significant impact on the Company’s Consolidated Financial Statements.

Pending Adoption

In February 2013, the FASB issued authoritative guidance on accounting for *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* (“ASU 2013-02”). ASU 2013-02 requires an entity to present the effect of certain significant reclassifications out of accumulated other comprehensive income on respective line items in net income. The amendments in the ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2013-02 is effective prospectively for fiscal years beginning after December 15, 2012 for public companies and the Company will be required to adopt ASU 2013-02 no later than the quarter beginning January 1, 2014, in reliance upon the extended transition periods for emerging growth companies granted under the JOBS Act, provided the Company remains an “emerging growth company” as of such date. As ASU 2013-02 requires additional presentation only, there will be no impact to the Company’s consolidated results of operations or financial position.

No other new accounting pronouncements issued or effective during 2012 had or are expected to have a material impact on the Company’s Consolidated Financial Statements.

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,

(Dollars in Thousands, Except for Share Amounts)

3. Leasing Activity (continued)

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.

Equipment Leasing Revenue

The Company has non-cancelable operating leases for its leasing equipment. At December 31, 2012, future minimum lease revenue under these agreements is estimated as follows:

2013	$	70,806
2014		51,084
2015		31,085
2016		14,825
2017		2,464
Thereafter		4,923
	$	175,187

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

(Dollars in Thousands, Except for Share Amounts)

3. Leasing Activity (continued)

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. As of December 31, 2011 and 2012, the Company had guaranteed and unguaranteed residual values for leasing equipment on direct finance leases of $19,634 and $15,611, respectively.

At December 31, 2011, receivables under these direct finance leases are collectible through 2022 as follows:

	Total Lease Receivables	Unearned Lease Income	Net Lease Receivables
2013	$ 9,591	$ 3,916	$ 5,675
2014	10,810	3,211	7,599
2015	6,488	2,509	3,979
2016	5,595	2,099	3,496
2017	12,084	1,311	10,773
Thereafter	12,234	3,027	9,207
	$ 56,802	$ 16,073	$ 40,729

As of December 31, 2011, the Company had total lease receivables, unearned lease income and net lease receivables of $78,456, $23,680 and $54,776, 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, and present certain claims to its insurers of default losses.

(Dollars in Thousands, Except for Share Amounts)

4. Leasing Equipment

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

	December 31	
	2011	**2012**
Chassis	$ 1,540,996	**$ 1,629,038**
Other	5,442	**5,355**
Total	1,546,438	**1,634,393**
Less accumulated depreciation	(253,778)	**(309,010)**
Leasing equipment, net of accumulated depreciation	$ 1,292,660	**$ 1,325,383**

Leasing equipment includes assets recorded under capital leases of $412,133 and $312,543 with accumulated depreciation of $63,903 and $60,938 at December 31, 2011 and 2012, respectively.

5. 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 $8,713, $1,544 and $6,506 for the years ended December 31, 2010, 2011 and 2012, respectively. The 2011 and 2012 impairment charges are net of insurance recoveries of $874 and $169, respectively that the Company received related to the theft of axles that occurred in 2010 and 2011.

(Dollars in Thousands, Except for Share Amounts)

5. Impairment of Leasing Equipment (continued)

The following is a summary of the Company's impairment charges recorded for the years ended December 31, 2010, 2011 and 2012 by category:

	December 31,		
	2010	**2011**	**2012**
Shrinkage	$ 5,253	$ 1,182	**$ 1,134**
Corroded/Unusable	2,563	789	**789**
Impairment	897	447	**4,752**
Insurance recoveries	–	(874)	**(169)**
Total impairment of leasing equipment	$ 8,713	$ 1,544	**$ 6,506**

Impairment of leasing equipment in 2010 includes charges due to shrinkage and corroded / unusable equipment primarily related to the Company's campaign to remanufacture 9,000 domestic chassis. In conjunction with this campaign, the Company conducted physical inventories of its axles and chassis stored at depots during 2010 and determined that such inventory was subject to shrinkage. Additionally, typically during remanufacturing campaigns, axle sets stored at third-party depots are found to be not suitable for remanufacturing primarily due to rust and corrosion.

Impairment of leasing equipment in 2012 includes charges associated with identifying end of life chassis for the purpose of harvesting their tires to mitigate the cost of maintaining the active fleet and due to the decision to discontinue the support of certain chassis types due to the difficulty of accessing axle replacement parts.

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 has been assigned to these two reporting units using a relative fair value allocation approach. The goodwill balance for the Marine Market segment was $134,019 at both December 31, 2011 and 2012. The goodwill balance for the Domestic Market segment was $117,888 at both December 31, 2011 and 2012. At December 31, 2012, there are no accumulated impairment losses related to Goodwill.

(Dollars in Thousands, Except for Share Amounts)

6. Goodwill (continued)

Based upon the annual assessment of goodwill, the Company concluded that no impairment existed during the years ended December 31, 2010, 2011 and 2012. The Marine Market segment exceeded its carrying value by approximately 25% while the Domestic Market segment exceeded its carrying value by approximately 66%, for the period ended December 31, 2012.

7. Borrowings

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

	December 31 2011	December 31 2012
Senior Secured 11% Notes	$ –	**$ 300,000**
ABL Facility	–	**609,000**
Fortis Facility	586,887	**–**
DVB Credit Facility:		
Term Loan Facility	79,550	**–**
Revolving Credit Facility	23,125	**–**
Loans Payable CIMC	23,634	**21,513**
Capital lease obligations	263,447	**177,884**
Total debt	976,643	**1,108,397**
Less current maturities	(48,756)	**(25,884)**
Long-term debt, less current maturities	$ 927,887	**$ 1,082,513**

The Company's debt consisted of notes, loans, a revolving credit facility and capital lease obligations payable in varying amounts through 2021, with a weighted-average interest rate of 6.49%, 6.37% and 6.23% for the years ended December 31, 2010, 2011 and 2012, 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

TRAC Intermodal LLC is a Delaware limited liability company and TRAC Intermodal Corp. is a Delaware corporation, both of which were formed as of July 13, 2012 solely for the purpose of affecting the offering of the Original Notes. All business is being be conducted through TRAC Intermodal LLC's 100% owned subsidiary, Interpool, Inc.

On August 9, 2012, TRAC Intermodal LLC along with TRAC Intermodal Corp., entered into a Securities Purchase Agreement pursuant to which it sold $300,000 total principal amount of a new series of 11.0% Senior Secured Notes, the Original Notes, issued at par in a private transaction with a group of investors, all of which are eligible to be exchanged for the Exchange Notes. 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 Exchange 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. At any time prior to August 15, 2015, the Company may redeem some or all of the Exchange Notes at a price equal to 100% of the principal amount of the Exchange Notes to be redeemed plus a "make-whole" premium, plus accrued and unpaid interest, if any, to the redemption date. The Company may also redeem up to 35% of the aggregate principal amount of the Exchange Notes at any time on or prior to August 15, 2015 using net proceeds from certain equity offerings, subject to the satisfaction of certain conditions set forth in the notes. If the Company experiences certain kinds of changes in control, the Company must offer to purchase the Exchange 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 Intermodal LLC has no operations of its own so it is dependent upon the cash flows of its subsidiaries to meet its obligations under these 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 servicing of the intercompany note arrangement by Interpool will provide the funds for TRAC to service the interest and debt payments due under the notes.

7. Borrowings (continued)

Concurrent with the offering of the Original Notes, the Company entered into a registration rights agreement with investors which requires 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 Original Notes within 365 days of closing.

The indenture governing the notes also contains various restrictive covenants, including limitations on the payment of dividends and other restrictive payments, limitations on incurrence of indebtedness, investments, creation of liens and limitations on asset sales. The proceeds from this offering 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 will be amortized into interest expense over the seven year term of the notes.

The amount outstanding under this facility was $300,000 at December 31, 2012. The weighted-average interest rate for the period from August 9, 2012 to December 31, 2012 was 11.22%.

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.

ABL Facility

Concurrent with the closing of the sale of the Original Notes, Interpool together with certain of its subsidiaries, and TRAC Intermodal LLC 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

7. Borrowings (continued)

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.

The ABL Facility has a five-year maturity and borrowings are limited to a maximum amount equal to the sum of (i) 85% *multiplied by* eligible accounts receivable, *plus* (ii) the lesser of (a) 85% *multiplied by* the net book GAAP depreciated value of eligible rental fleet assets and (b) 80% *multiplied by* the net orderly liquidation value percentage identified in the most recent rental fleet asset appraisals *multiplied by* the net book GAAP depreciated value of eligible rental fleet assets, *less* (iii) reserves established by JPMorgan Chase Bank, N.A., acting as the administrative agent (the "*Advance Rate*").

The ABL Facility bears an interest rate equal to the Adjusted LIBOR plus 2.75% or the Alternate Base Rate plus 1.75% (each as defined in the ABL Facility). Field exams and appraisals will be conducted by the lenders 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 contains various representations and covenants, including a minimum fixed charge coverage ratio of 1.00 to 1.00 and a maximum Senior Secured Debt leverage ratio for the applicable testing periods of (i) 6.50 to 1.00 from the effective date of the ABL Facility to June 30, 2013, (ii) 6.00 to 1.00 from September 30, 2013 to June 30, 2014, (iii) 5.50 to 1.00 from September 30, 2014 to June 30, 2015, (iv) 5.00 to 1.00 from September 30, 2015 to June 30, 2016 and (v) 4.50 to 1.00 from September 30, 2016 to the maturity date.

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 incurrence of additional indebtedness, investments, asset dispositions, sale and leaseback transactions, swap agreements, transactions with affiliates, mergers and consolidations, liquidations and dissolutions and restricted payments (including dividends and other payments in respect of capital stock). The ABL Facility also provides for cash dominion subject to certain availability triggers. The proceeds from the ABL were used to repay existing indebtedness of Interpool, including interest rate swap liabilities, and for general corporate purposes. The Company incurred $21,677 in fees and expenses related to the ABL facility including $14,488 in bank fees and $6,600 in re-titling costs. Since the current ABL Facility and the previous credit facilities were loan syndications and a number of lenders participated in both credit facilities, the Company evaluated the

7. Borrowings (continued)

accounting for financing fees on a lender by lender basis in accordance with FASB ASC Topic 470-50, *Modifications and Extinguishments of Debt*. This resulted in a loss on modification of debt of $2,136 and loss on extinguishment of debt of $4,158 recorded in Loss on modification and extinguishment of debt in the Consolidated Statement of Operations. Approximately $20,917 was classified as deferred financing fees and will be amortized into interest expense over the five year term of the ABL Facility.

On December 20, 2012, the Company entered into an agreement with the above lenders to amend the ABL Facility and increase the revolving commitment by $120,000, increasing the total facility's commitment from $725,000 to $845,000. In connection with this amendment the Company paid $1,356 in upfront fees. These fees were classified as deferred financing fees and will be amortized into interest expense over the remaining term of the ABL Facility.

The amount outstanding under this facility was $609,000 at December 31, 2012. The weighted–average interest rate for the period from August 9, 2012 to December 31, 2012 was 4.14%. At December 31, 2012, $236,000 additional borrowing capacity was available under this facility.

Swap Terminations

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 interest rate derivatives. See Note 8.

Fortis Facility

On July 10, 2008, the Company entered into a $630,000 senior secured Credit Agreement with Fortis Capital Corp. ("Fortis") and a group of lenders, with Fortis acting as the agent ("Fortis Facility"). In connection with the Fortis Facility, the Company pledged certain chassis, other transportation-related equipment and direct finance lease receivables for the benefit of the lenders as collateral security for the payment and performance of its obligations under the agreement. The Fortis Facility had a five-year term maturing on July 9, 2013 and borrowings were limited to a maximum of 80% advance ("advance rate") of the value of the underlying collateral with the advance rate reducing by one half of one percent (0.50%) per quarter. The Fortis Facility bore an interest rate equal to the LIBOR rate or Cost of Funds (as defined by the agreement) plus a margin. The Fortis Facility contained typical representations and covenants for

7. Borrowings (continued)

loans of this type including the maintenance of financial covenants for tangible net worth (which requires the Company to maintain tangible net worth of at least $350,000), a fixed charge coverage ratio of at least 1.5 to 1 and a funded debt to tangible net worth ratio of not more than 4.0 to 1. In addition to these financial covenants, the principal limitations of the Fortis Facility contained certain restrictions on the creation of liens, the incurrence of additional indebtedness, transactions with affiliates, mergers and consolidations and asset sales or transfers.

On October 12, 2010, the Company signed Amendment No. 2 to the Fortis Facility. The lenders agreed to modify certain financial covenants as follows. The definition of “Earnings Available for Fixed Charges” was amended to add back expenses related to tires and rims consumed in the remanufacturing and refurbishing process to primarily address the increased costs associated with the recently completed remanufacturing program. In addition, for the period from September 30, 2010 through December 31, 2011, the Minimum Tangible Net Worth requirement was reduced from $350,000 to $325,000. After December 31, 2011, the Minimum Tangible Net Worth requirement was increased to $350,000 for the remainder of the term. In exchange for these modifications, the Company paid a one-time fee of $1,277 and the margin on the Fortis Facility was increased by 0.25% until the facility matures in July 2013.

Fees associated with the amended terms were amortized over the remaining life of the loan and recorded in Interest expense on the Consolidated Statements of Operations.

The amount outstanding under this facility was $586,887 at December 31, 2011. On August 9, 2012, in connection with the closing of the sale of the Original Notes and the ABL Facility, the Company repaid $586,876 due under this Facility, including accrued interest, and terminated this facility. The weighted-average interest rate for the years ended December 31, 2010 and 2011 was 6.59% and 6.87%, respectively. The weighted-average interest rate for the period from January 1, 2012 to August 9, 2012, the date the facility was terminated, was 6.85%.

PNC Bank Credit Facility (formerly National City Bank Credit Facility)

On July 19, 2007, two of the Company’s wholly owned subsidiaries entered into a $100,000 agreement with National City Bank and a group of lenders, with National City Bank acting as the agent, consisting of a $100,000 revolving credit facility with a $10,000 letters of credit sublimit (the “National City Bank Credit Facility”). On August 31, 2007, this facility was increased to $120,000. This revolving credit facility and the letters of credit commitment expired on July 17, 2009.

7. Borrowings (continued)

On July 16, 2009, the Company entered into The Fourth Amended and Restated Credit and Security Agreement for a total of $80,000 with National City Bank and a group of lenders, with National City Bank acting as agent (the “2009 National City Bank Credit Facility”). At the time of closing, the Company (utilizing cash on hand) paid $20,000 of the prior outstanding balance on the then existing National City Bank Credit Facility. The 2009 National City Bank Credit Facility had a one-year term with an automatic one-year extension provided that, on the extension date, no default or event of default had occurred and was continuing and the outstanding principal amount under the facility was not greater than $65,000. Effective November 9, 2009, National City Bank merged with and into PNC Bank resulting in PNC becoming the administrative agent for this loan (renamed the “PNC Bank Credit Facility”).

On July 16, 2010, the Company repaid $12,000 of its outstanding obligation under the PNC Bank Credit Facility. In conjunction with this payment, the Company exercised its automatic one-year extension of the term for this facility to mature on July 16, 2011.

In connection with the PNC Bank Credit Facility, the Company pledged certain chassis, other transportation-related equipment and direct finance lease receivables for the benefit of the lenders as collateral security for the payment and performance of its obligations under the agreement. The interest rate under the 2010 PNC Bank Credit Facility was equal to LIBOR plus a margin. The PNC Bank Credit Facility contained typical representations and covenants for loans of this type, which included a covenant that at the end of each fiscal quarter during the term of the loan, certain subsidiaries would not have a funded debt to tangible net worth ratio that exceeded 3.75 to 1 and that the tangible net worth would not be less than $300,000.

On March 31, 2011, the $62,000 balance outstanding under this facility was repaid in full with proceeds from a new $111,000 credit facility entered into with DVB Bank SE and ING Bank N.V. The weighted-average interest rate for the year ended December 31, 2010 was 9.50%. This rate includes deferred financing fees of $325 that were amortized over the one-year extended term of the agreement. The weighted-average interest rate for the period from January 1, 2011 to March 31, 2011, the date of the repayment, was 9.66%.

7. Borrowings (continued)

DVB Credit Facility

On March 31, 2011, the Company entered into an $111,000 agreement with DVB Bank SE (“DVB”) acting as agent and ING Bank N.V. (“ING”) consisting of an $86,000 term loan facility and a $25,000 revolving credit facility (collectively, the “DVB Credit Facility”). In connection with the DVB Credit Facility, the Company pledged certain chassis, other transportation-related equipment and direct finance lease receivables for the benefit of the lenders as collateral security for the payment and performance of its obligations under the agreement.

The DVB Credit Facility had a five-year term maturing on March 31, 2016. The maximum principal balance outstanding on the term loan and the revolving credit commitment on the revolver were reduced by $2,150 and $625, respectively, each quarter over the life of the facility. Borrowings were limited to a maximum of 70% advance (“advance rate”) of the value of the underlying collateral. The advance rate remained at 70% until March 31, 2013, and then the advance rate would decline by one percent (1.00%) per quarter. The DVB Credit Facility bore an interest rate equal to LIBOR or Cost of Funds (as defined by the agreement) plus a 4% margin.

The DVB Credit Facility contained typical representations and covenants for loans of this type, including the maintenance of financial covenants for tangible net worth (which requires the Company to maintain an initial tangible net worth of at least $325,000), a fixed charge coverage ratio of at least 1.5 to 1 and a funded debt to tangible net worth ratio of not more than 4.0 to 1. The tangible net worth covenant would increase $5,000 annually to $340,000 as of March 31, 2014 and then to $350,000 as of March 31, 2015 and thereafter. In addition to these financial covenants, the principal limitations of the DVB Credit Facility contain certain restrictions on the creation of liens, the incurrence of additional indebtedness, transactions with affiliates, mergers and consolidations and asset sales or transfers. Proceeds from this facility were used to repay the remaining $62,000 outstanding under the PNC Bank Credit Facility and to provide additional cash for working capital needs.

The amount outstanding under this facility was $102,675 at December 31, 2011. On August 9, 2012, in connection with the closing of the sale of the Original Notes and the ABL Facility, the Company repaid $95,905 due under this facility, including accrued interest and penalties, and terminated this facility. The weighted-average interest rate for the period from March 31, 2011 to December 31, 2011 was 4.83%. The weighted-average interest rate for the period from January 1, 2012 to August 9, 2012 was 4.68%.

7. Borrowings (continued)

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 has agreed to finance 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 have been 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, 2011 and 2012, $23,634 and $21,513 was outstanding under these agreements. The weighted-average interest rate for the period from October 10, 2010 to December 31, 2010 was 4.62%. The weighted-average interest rate for the years ended December 31, 2011 and 2012 was 4.64% and 4.73%, respectively.

Capital Lease Obligations

At December 31, 2011 and 2012, the total capital lease obligations outstanding associated with leasing equipment were $263,447 and $177,884, respectively. The capital lease obligations mature in varying amounts from 2012 through 2021 and have stated rates ranging from 3.53% to 7.08%. The weighted-average interest rates for the years ended December 31, 2010, 2011 and 2012 were 5.41%, 5.38% and 5.21%, respectively.

(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, 2011 and 2012, assets pledged as collateral are as follows:

	December 31	
	2011	**2012**
ABL Facility	$ –	**$ 1,080,391**
DVB Facility	146,830	**–**
Fortis Facility	805,909	**–**
CIMC Loans	32,127	**30,646**
Capital Lease Obligations	355,065	**253,557**
Total Pledged as Collateral	$ 1,339,931	**$ 1,364,594**

The Company's 11% Senior Secured 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, 2012, 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, 2012, the Company was in compliance with all covenants.

(Dollars in Thousands, Except for Share Amounts)

7. Borrowings (continued)

Debt Maturities

The Company's outstanding debt, including capital lease obligations, as of December 31, 2012 matures as follows:

2013	$ 25,884
2014	37,743
2015	36,063
2016	45,365
2017	629,797
Thereafter	333,545
	$ 1,108,397

8. Derivatives and Hedging Activities

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.

The Company accounted 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 received 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 were 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

8. Derivatives and Hedging Activities (continued)

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 16.

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 Accumulated other comprehensive income (loss) ("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 10 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. The Company did not terminate any derivative instruments during 2010.

On March 25, 2011, in anticipation of the repayment of the PNC Bank Credit Facility, the Company terminated the interest rate derivative related to this hedged item. Upon settlement, the Company paid $5,152, which included $146 of accrued interest, utilizing funds in the restricted cash collateral account. The balance in AOCI is being reclassified into earnings over the remaining life of the item previously hedged, through July 2014, as management has determined that the forecasted transactions remain 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.

(Dollars in Thousands, Except for Share Amounts)

8. Derivatives and Hedging Activities (continued)

For additional disclosures related to derivative instruments, see Notes 2, 11 and 16.

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, 2011	$611,096	4.115%	3.4 years
December 31, 2012	–	–	–

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, 2011 and 2012:

	Effective Portion				Ineffective Portion	
	Derivative Instruments	Change in Unrealized Loss Recognized in OCI on Derivatives(a)	Classification of Loss Reclassified from OCI into Income	Loss Reclassified from OCI into Income (b)	Classification of Loss Recognized Directly in Income on Derivative	Loss Recognized Directly in Income on Derivative (c)
December 31, 2011	Interest rate derivatives	$ (26,283)	Interest expense	$ 17,266	Interest expense	$ 189
December 31, 2012	**Interest rate derivatives**	**$ (17,572)**	**Interest expense**	**$ 17,061**	**Interest expense**	**$ 53**

(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.

	2011	2012
Net settlements of interest rate derivatives, net of tax of $9,659 and $7,116, respectively	$ 14,776	**$ 10,800**
Amortization of terminated derivatives, net of tax of $1,603 and $4,757, respectively	2,490	**6,261**
	$ 17,266	**$ 17,061**

(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, 2010, 2011 and 2012:

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, 2012	Amount of Deferred Loss Amortized (including Accelerated Amortization) into Interest Expense			Amount of Deferred Loss Expected to be Amortized over the Next 12 months
								2010	2011	2012	
(a)	$ 60,852	Jul-2007	Oct-2017	5.299%	Dec-2007	$ 1,853	$ 35	$ 356	$ 179	$ 91	$ 32
(a)	200,000	Jul-2007	Jul-2017	5.307%	Dec-2007	6,412	163	1,229	657	355	141
(a)	163,333	Jul-2007	Jul-2014	5.580%	Dec-2007	3,773	613	733	624	545	413
(b)	150,000	Jul-2008	Oct-2014	5.512%	Jul-2008	1,711	109	388	246	163	64
(b)	150,000	Oct-2007	Oct-2014	5.512%	Jul-2008	3,498	374	715	394	320	236
(b)	480,088	Oct-2014	Oct-2017	5.436%	Jul-2008	1,711	1,711	–	–	–	–
(b)	480,088	Oct-2014	Oct-2017	5.436%	Jul-2008	1,526	1,526	–	–	–	–
(a)	163,333	Nov-2007	Jul-2014	4.605%	Jul-2008	2,082	(250)	683	272	125	(84)
(b)	332,525	Oct-2007	Oct-2014	4.743%	Jul-2008	7,641	(65)	1,882	748	421	102
(a)	58,238	Nov-2007	Oct-2017	4.305%	Jul-2008	862	(223)	240	1	(40)	(58)
(a)	193,333	Nov-2007	Jul-2017	4.365%	Jul-2008	3,265	(796)	920	68	(104)	(209)
(c)	37,000	Sep-2007	Jul-2014	5.526%	Mar-2011	3,122	1,144	–	904	1,074	809
(d)	53,286	Jul-2008	Oct-2017	3.989%	Aug-2012	2,048	1,682	–	–	366	678
(d)	181,667	Jul-2008	Jul-2017	4.033%	Aug-2012	8,538	7,066	–	–	1,472	2,944
(d)	43,333	Jul-2008	Jul-2014	4.328%	Aug-2012	11,033	8,914	–	–	2,119	5,477
(d)	211,567	Jul-2008	Oct-2014	4.147%	Aug-2012	17,002	13,778	–	–	3,224	7,200
(d)	150,000	Jul-2008	Oct-2014	4.000%	Aug-2012	5,080	4,193	–	–	887	2,233
(d)	427,407	Oct-2014	Oct-2017	5.174%	Aug-2012	46,372	46,372	–	–	–	–
Total						$ 127,529	$ 86,346	$ 7,146	$ 4,093	$11,018	$ 19,978

(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 amortization of deferred losses on the Company’s terminated derivatives of $12,131 (which is net of tax of $7,847).

9. Commitments and Contingencies

Purchase Commitments

At December 31, 2012, commitments for capital expenditures for leasing equipment totaled approximately $3,791, all of which was committed for 2013.

(Dollars in Thousands, Except for Share Amounts)

9. Commitments and Contingencies (continued)

Lease Commitments

The Company is party to various operating leases relating to office facilities and certain other equipment with various expiration dates through 2018. All leasing arrangements contain normal leasing terms without unusual purchase options or escalation clauses.

Rental expense under operating leases was $11,340, $8,649 and $10,946 for the years ended December 31, 2010, 2011 and 2012, respectively.

As of December 31, 2012, the aggregate minimum rental commitment under operating leases having initial or remaining non-cancelable lease terms in excess of one year was as follows:

2013	$	4,735
2014		2,552
2015		1,175
2016		1,038
2017		441
Thereafter		170
	$	10,111

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

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, 2011 and 2012.

9. Commitments and Contingencies (continued)

At December 31, 2012, 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.

Contractual Relationships

In 2003, the Company arranged a leasing transaction between one of its major customers and a financial institution for up to 3,000 domestic containers. As part of this transaction, the Company received initial fees and agreed to provide certain guarantees related to the fair value of the equipment if the lessee terminated the lease or if the lessee was unable to meet its obligations under the terms of the lease. As such, the Company had accrued for the estimated value of its liability amounting to $1,090. During 2011, the Company's obligation under this guarantee expired, resulting in the reversal of this accrual which is included in Other (income) expense, net in the Consolidated Statements of Operations.

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

9. Commitments and Contingencies (continued)

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.

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 particular assets and liabilities, using tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided to offset any 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 permanently invested. The Company’s liability for uncertain tax positions represents open tax return positions and tax assessments received and is reflected in Accrued expenses and other liabilities.

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

(Dollars in Thousands, Except for Share Amounts)

10. Income Taxes (continued)

The provision (benefit) for income taxes comprises the following:

	Year ended December 31		
	2010	2011	2012
U.S. current federal income tax provision (benefit)	$ 16,033	$ (110)	**$ –**
U.S. deferred federal income tax benefit	(30,138)	(2,543)	**(2,207)**
Total federal income tax benefit	(14,105)	(2,653)	**(2,207)**
U.S. current state and local income tax (benefit) provision	(320)	(930)	**255**
U.S. deferred state and local income tax benefit	(3,273)	(1,184)	**(1,010)**
Total state and local income tax benefit	(3,593)	(2,114)	**(755)**
Non-U.S. income tax provision	57	713	**787**
Total benefit for income taxes	$ (17,641)	$ (4,054)	**$ (2,175)**

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

	December 31	
	2011	2012
Deferred tax assets:		
Loss carryforwards	$ 243,704	**$ 307,134**
Derivative instruments	34,195	**33,900**
Valuation allowance	(2,017)	**(2,307)**
Other	2,184	**4,082**
Total deferred tax assets	278,066	**342,809**
Deferred tax liabilities:		
Operating property, net	351,379	**382,461**
Derivative Instruments	2,799	**33,917**
Total deferred tax liabilities	354,178	**416,378**
Net deferred tax liabilities	$ 76,112	**$ 73,569**

Through December 31, 2012, the Company has incurred passive activity loss ("PALs") and net operating loss ("NOLs") carryforwards of approximately $228,931 and $542,858, respectively, for U.S. federal and state income tax purposes. The PALs can be carried forward indefinitely to offset income generated only from future leasing activities.

(Dollars in Thousands, Except for Share Amounts)

10. Income Taxes (continued)

The remaining $542,858 of NOLs can be carried forward to offset any income from future leasing activities or any other future taxable income (i.e., dividend, interest, and capital gain income). The NOL carryforward will not begin to expire until 2028. The Company does not believe a valuation allowance is required for federal taxes with respect to these PALs or NOLs. However, as of December 31, 2011 and 2012, the Company has a valuation allowance of $2,017 and $2,307, respectively, relating to the NOL carryforward attributable to New Jersey state income tax regulations, which only allows an NOL generated in 2008 to be carried forward for seven years and state capital loss carryforwards.

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

	Year ended December 31		
	2010	**2011**	**2012**
U.S. statutory rate	(35.0)%	(35.0)%	**(35.0)%**
State taxes	(8.9)	4.9	**(19.9)**
Foreign taxes	(0.2)	8.7	**7.8**
Changes in uncertain tax positions	(2.4)	(9.2)	**–**
Valuation allowances	–	(22.7)	**5.5**
Permanent tax items	(2.3)	3.8	**0.3**
Other	0.9	(1.4)	**–**
Effective tax rate	(47.9)%	(50.9)%	**(41.3)%**

The effective tax rate differs from the U.S. federal tax rate of 35% primarily due to state and local income taxes, foreign taxes and permanent differences between book and tax treatment of certain items. The decrease in the effective tax rate from 2010 to 2011 is primarily due to favorable outcomes on state tax examinations, additional reductions to uncertain tax positions, and a net state tax benefit resulting from changes in state income tax rates. The increase in the effective tax rate from 2011 to 2012 is primarily due to adjustments to effective state tax rates and changes in uncertain tax positions in 2011.

(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 January 1, 2011	$	681
Reductions based on tax positions related to prior years		(538)
Balance at December 31, 2011		143
Change during 2012		–
Balance at December 31, 2012	**$**	**143**

The Company believes that it is reasonably possible that the total amount of unrecognized tax benefits will change within 12 months of the reporting date. The uncertainty pertains to a New Jersey tax deficiency resulting from the examination of the Company's 2000-2002 tax returns. The Company contested the tax deficiency during 2011 by filing a petition with the New Jersey tax court and anticipates it will be resolved during 2013. The Company estimates a settlement will result in a full reversal of the unrecognized tax benefits.

As of December 31, 2012, the Company has $143 of unrecognized tax benefits (comprised of unrecognized tax benefits and associated interest and penalties), all of which, if recognized, would favorably affect the Company's effective tax rate. The Company recognizes accrued interest and penalties related to unrecognized tax benefits within its global operations in income tax expense.

The Company's 2008 tax return was selected for federal income tax examination and during 2011 was closed with no material impact on the Consolidated Financial Statements. The Company's 2009 to present federal income tax returns and 2008 to present state tax returns are open 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, NOLs generally remain subject to audit until three years from their utilization regardless of the year of origin.

11. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss 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.

(Dollars in Thousands, Except for Share Amounts)

11. Accumulated Other Comprehensive Loss (continued)

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

	Unrealized Losses on Derivative Instruments	Net Derivative Loss to be Reclassified into Earnings	Foreign Currency Translation	Total Accumulated Other Comprehensive Loss
Balance, December 31, 2009	$ (22,465)	$ (9,245)	$ (998)	$ (32,708)
Current-period other comprehensive (loss) income	(15,441)	4,249	652	(10,540)
Balance, December 31, 2010	$ (37,906)	$ (4,996)	$ (346)	$ (43,248)
Reclassification of terminated derivative	1,888	(1,888)	–	–
Current-period other comprehensive (loss) income	(11,507)	2,490	642	(8,375)
Balance, December 31, 2011	$ (47,525)	$ (4,394)	$ 296	$ (51,623)
Reclassification of terminated derivatives	**54,297**	**(54,297)**	**–**	**–**
Current-period other comprehensive (loss) income	**(6,772)**	**6,261**	**158**	**(353)**
Balance, December 31, 2012	**$ –**	**$ (52,430)**	**$ 454**	**$ (51,976)**

The amount of loss expected to be reclassified from Accumulated other comprehensive loss into interest expense over the next twelve months consists of amortization of deferred losses on the Company’s terminated derivatives of $12,131 (which is net of tax of $7,847).

12. Share-Based Payments

Restricted Stock Awards – Seacastle Inc.

A key employee of TRAC had restricted shares of Seacastle Inc. common stock, which were not publicly traded. The grant of restricted shares was provided for in the employees’ Seacastle management shareholder agreement. The grantee of these restricted shares had all of the rights of a shareholder, including the right to receive dividends, other than the right to sell, transfer, assign or otherwise dispose of the shares until the lapse of the restricted period.

The restricted shares vested over 56 months based on continued service, and were expensed on a straight-line basis over the requisite service period of the award.

(Dollars in Thousands, Except for Share Amounts)

12. Share-Based Payments (continued)

The terms of the grant provided for accelerated vesting under certain circumstances, including termination without cause following a change of control of Seacastle Inc. Generally, the fair value of common shares is based on a valuation approach including the market-based approach using current market multiples as well as the income approach utilizing a discounted cash flow analysis, performed on a quarterly basis.

In April 2008, 25,000 restricted shares were granted to this employee with a fair market value of $12.00 per share. The fair value of the restricted shares granted was determined based on a retrospective valuation. The valuation relied on observed equity investments made by the shareholders of Seacastle Inc., adjusted to reflect the lack of marketability of the shares granted to employees. During 2011, in conjunction with the termination of this employee, an incremental 5,000 shares vested and 5,000 shares were forfeited.

There were no shares of Seacastle Inc. granted to employees of the Company during 2010 and 2011.

A summary of the fair value of non-vested shares is as follows:

Non-vested Shares	**Shares**	**Weighted-average per share at grant date**	**Fair value of non-vested shares at grant date**
Outstanding at December 31, 2009	20,000	12.00	240
Granted	–	–	–
Vested	(5,000)	12.00	(60)
Outstanding at December 31, 2010	15,000	12.00	180
Granted	**–**	**–**	**–**
Vested	**(10,000)**	**12.00**	**(120)**
Forfeited	**(5,000)**	**12.00**	**(60)**
Outstanding at December 31, 2011 and 2012	**–**	**$ –**	**$ –**

During the years ended December 31, 2010 and 2011, the Company recorded compensation expense related to this restricted stock award of $64 and $58, respectively. Compensation

12. Share-Based Payments (continued)

expense is recorded in Selling, general and administrative expenses in the Consolidated Statements of Operations and is recognized ratably over the service vesting period. At December 31, 2011 and 2012, there were no unvested shares or unrecognized compensation costs outstanding.

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. On May 31, 2012, Interpool purchased 540,329 shares of common stock of SCT Chassis, Inc. at a fair market value of $6.17 per share for a total of $3,334 for use in its newly created stock incentive program for key employees. Additionally, on September 30, 2012 Interpool purchased 3,181 shares at a fair market value of $6.17 per share for a total of $19 and on December 13, 2012 an additional 40,900 shares were purchased at a fair market value of $6.41 per share for a total of $262. As a result of these transactions, SCT Chassis, Inc. has 69,043,881 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.

Certain key employees of Interpool held restricted shares of Seacastle Inc. During June 2012, these employees exchanged an aggregate of 58,425 shares of Seacastle Inc. common stock for 55,212 shares of SCT Chassis, Inc. common stock, at an exchange ratio of 0.945 of an SCT Chassis, Inc. share for each share of Seacastle Inc. common stock. The 58,425 shares of Seacastle Inc. common stock included 45,934 vested shares (37,365 granted vested shares and 8,569 employee purchased shares) and 12,491 unvested restricted shares. These were exchanged into 43,408 vested shares (35,310 granted vested shares and 8,098 employee purchased shares) and 11,804 unvested restricted shares. The unvested shares related to this exchange will vest over periods through January 1, 2014.

The Company accounted for the exchange of the awards as a modification in accordance with the *Compensation–Stock Compensation* Topic of the FASB ASC where applicable and determined no additional compensation charges were required. The Company will record compensation expense on the unvested shares at the date of the exchange over the remaining vesting period.

(Dollars in Thousands, Except for Share Amounts)

12. Share-Based Payments (continued)

On June 1, 2012, a total of 493,214 restricted shares of SCT Chassis, Inc. were granted to key employees of the Company at a fair value of $6.17 per share or a total fair value of $3,043. Of this grant, 123,305 shares vested immediately, with the remainder vesting in equal increments on January 1, 2013, 2014 and 2015. On July 31, 2012, 53,079 shares were granted at a fair value of $6.17 per share or a total fair value of $327. Of this grant, 13,270 shares vested immediately, with the remainder vesting in equal increments on July 1, 2013, 2014 and 2015. Finally, on October 31, 2012, 40,900 shares were granted at a fair value of $6.41 per share or a total fair value of $262. These shares vest in equal increments on January 1, 2013, 2014, 2015, and 2016. Under the Management Shareholder Agreements, additional shares will be granted if certain performance conditions are achieved or if certain market conditions are met following a liquidity event. No compensation expense has been recorded since achievement of these conditions is not considered probable. As of December 31, 2012 the total number of shares authorized for grant under this plan was 2,540,529 with 1,954,090 shares available for future grant.

During the year ended December 31, 2012, the Company recorded share-based compensation expense of $1,765. 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 $1,949 at December 31, 2012, which is expected to be recognized over the remaining weighted-average vesting period of 2.2 years.

Non-vested Shares	**Shares**	**Weighted-Average Grant Date Fair Value per Share**	**Fair Value of Shares at Grant Date**
Non-vested at January 1, 2012			
Granted	598,997	6.27	3,756
Forfeited	(3,031)	6.17	(19)
Vested	(144,606)	6.22	(900)
Non-vested at December 31, 2012	**451,360**	**6.29**	**$2,837**

12. Share-Based Payments (continued)

Stock Repurchases

During the year ended December 31, 2012, the Company purchased 49,898 shares of SCT Chassis, Inc. common stock from employees in accordance with the shareholder agreements. The cost of these shares was $307 and is included in Member's interest in the Consolidated Balance Sheet.

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 1 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 neutral 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

13. Segment and Geographic Information (continued)

and railroad ramps for use by multiple customers on an as-needed basis. Customers in neutral pools generally enter into pool user agreements for a period of 1 to 3 years and are often subject to subscription levels for minimum chassis usage, known as minimum usage or subscription arrangements.

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 1; 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 2.

The Company evaluates segment performance and allocates resources to them primarily based upon Adjusted EBITDA. The Company defines EBITDA as income (loss) before income taxes, interest expenses (net of interest income), depreciation and amortization, impairment of assets and leasing equipment, loss on retirement of debt and other expense (income). The Company defines Adjusted EBITDA as EBITDA excluding certain remanufacturing expenses, non-cash stock compensation and principle 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, 2010, 2011 and 2012.

2010	**Marine Market segment**	**Domestic Market segment**	**Other**	**Total**
Term revenue	$ 89,585	$ 14,711	$ –	$ 104,296
Pool revenue	60,574	80,117	–	140,691
All other revenue	15,468	4,709	15,693	35,870
Total revenue	165,627	99,537	15,693	280,857
Adjusted EBITDA	122,735	49,727	(28,848)	143,614
Depreciation expense	33,840	17,979	9,038	60,857
Net investment in direct finance leases	55,511	9,544	–	65,055
Leasing equipment	741,751	357,390	168,651	1,267,792
Capital expenditures for long-lived assets	3,630	40,131	762	44,523

2011	**Marine Market segment**	**Domestic Market segment**	**Other**	**Total**
Term revenue	$ 84,692	$ 16,415	$ –	$ 101,107
Pool revenue	106,226	94,823	–	201,049
All other revenue	16,802	4,318	16,068	37,188
Total revenue	207,720	115,556	16,068	339,344
Adjusted EBITDA	97,076	53,986	(12,344)	138,718
Depreciation expense	33,053	22,586	8,752	64,391
Net investment in direct finance leases	50,418	4,358	–	54,776
Leasing equipment	694,444	422,297	175,919	1,292,660
Capital expenditures for long-lived assets	3,964	27,743	823	32,530

2012	**Marine Market segment**	**Domestic Market segment**	**Other**	**Total**
Term revenue	**$ 69,886**	**$ 18,108**	**$ –**	**$ 87,994**
Pool revenue	**164,375**	**120,691**	**–**	**285,006**
All other revenue	**20,863**	**7,264**	**13,406**	**41,533**
Total revenue	**255,124**	**146,063**	**13,406**	**414,593**
Adjusted EBITDA	**106,342**	**66,819**	**(13,267)**	**159,894**
Depreciation expense	**31,544**	**26,245**	**8,263**	**66,052**
Net investment in direct finance leases	**40,523**	**206**	**–**	**40,729**
Leasing equipment	**694,588**	**470,894**	**159,901**	**1,325,383**
Capital expenditures for long-lived assets	**52,476**	**50,514**	**588**	**103,578**

(Dollars in Thousands, Except for Share Amounts)

13. Segment and Geographic Information (continued)

The following are reconciliations of the total measure of profit or loss to the Company's net loss.

	Year ended December 31		
	2010	**2011**	**2012**
Adjusted EBITDA	$143,614	$138,718	**$159,894**
Principal collections on direct finance leases, net of interest earned	(33,016)	(12,191)	**(7,836)**
Non-cash stock compensation	(64)	(58)	**(1,765)**
Remanufacturing expense	(8,654)	(4,096)	**–**
Interest expense, net	(68,983)	(65,202)	**(74,959)**
Depreciation expense	(60,857)	(64,391)	**(66,052)**
Impairment of leasing equipment	(8,713)	(1,544)	**(6,506)**
Loss on modification and extinguishment of debt	(40)	(733)	**(8,850)**
Other (expense) income, net	(134)	1,535	**809**
Loss before benefit for income taxes	(36,847)	(7,962)	**(5,265)**
Benefit for income taxes	(17,641)	(4,054)	**(2,175)**
Net loss	$(19,206)	$(3,908)	**$(3,090)**

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. Through October 31, 2008, matching contributions were made by the Company equal to 75% of the employee's contribution to the extent such employee contribution did not exceed more than 6% of such employee's compensation. Effective November 1, 2008, the Company increased its matching contribution to 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

14. Defined Contribution Plan

December 31, 2010, 2011 and 2012, the Company contributed approximately $876, $1,148 and $1,078, respectively, to this plan. These amounts are included in Selling, general and administrative expenses on the Consolidated Statements of Operations.

15. Related Party Transactions

Management, Facility Fees and Chassis Leasing

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, 2010, 2011 and 2012, the Company reflected income of $820, $76 and $336, respectively, associated with such allocations. The Company believes the estimates and assumptions used in deriving such allocations are reasonable and would not be materially different if negotiated independently. 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.

The Company has a net receivable from affiliates of $1,574 and $1,696 at December 31, 2011 and 2012, respectively, which is included in Other assets on the Consolidated Balance Sheets.

The Company also leases chassis to the Florida East Coast railway (“FEC”) under term lease and neutral 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, 2010, 2011 and 2012, the Company recorded chassis leasing revenue from FEC of $621, $556 and $695, respectively.

16. 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

16. Fair Value of Financial Instruments (continued)

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.

- 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.

(Dollars in Thousands, Except for Share Amounts)

16. Fair Value of Financial Instruments (continued)

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, 2011	Fair Value Measurement as of December 31, 2011 using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 29,005	$ 29,005	$ –	$ –
Liabilities:				
Derivative instruments	79,082	–	79,082	–

	Fair Value as of December 31, 2012	Fair Value Measurement as of December 31, 2012 using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	**$ 26,556**	**$ 26,556**	**$ –**	**$ –**
Liabilities:				
Derivative instruments(a)	**–**	**–**	**–**	**–**

(a) The Company terminated all interest rate derivatives on August 9, 2012 in connection with the closing of the sale of the Original Notes and the ABL Facility and repayment of the Fortis Facility. See Notes 7 and 8.

Cash and cash equivalents: Cash and cash equivalents include all cash balances and highly liquid investments having original maturities of three months or less at the time of purchase. 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 derivatives were recorded at fair value on the Company's Consolidated Balance Sheets and consist 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 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

(Dollars in Thousands, Except for Share Amounts)

16. Fair Value of Financial Instruments (continued)

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.

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.

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 $718,083 as of December 31, 2011 and $634,899 as of December 31, 2012. Accordingly, the Company's variable rate debt approximates market value for similar instruments at the respective dates. The Company had fixed rate debt of $258,560 as of December 31, 2011 and $473,498 as of December 31, 2012. 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 5.60% at December 31, 2011 and 5.46% at December 31, 2012. 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, 2011		**December 31, 2012**	
	Carrying Amount of Asset (Liability)	**Fair Value of Asset (Liability)**	**Carrying Amount of Asset (Liability)**	**Fair Value of Asset (Liability)**
Total debt	$ (976,643)	$ (969,133)	**$ (1,108,397)**	**$ (1,106,875)**

17. Guarantor Financial Information

On August 9, 2012, TRAC Intermodal LLC along with TRAC Intermodal Corp., entered into a Securities Purchase Agreement pursuant to which it sold $300,000 total 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 requires 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 Original Notes within 365 days of closing. 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. All amounts in the following tables are in thousands.

(Dollars in Thousands, Except for Share Amounts)

17. Guarantor Financial Information (continued)

TRAC Intermodal LLC

Condensed Consolidating Statements of Operations
and Comprehensive (Loss) Income

For The Year Ended December 31, 2010

	Issuer Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total Revenue	$ –	$ 280,232	$ 719	$ (94)	$ 280,857
Direct operating expenses	–	144,346	119	–	144,465
Selling, general and administrative expenses	–	35,346	(543)	(365)	34,438
Depreciation expense	–	60,672	185	–	60,857
Provision for doubtful accounts	–	74	–	–	74
Impairment of leasing equipment	–	8,713	–	–	8,713
Loss on modification and extinguishment of debt	–	40	–	–	40
Interest expense	–	69,320	109	(100)	69,329
Interest income	–	(344)	(6)	4	(346)
Equity in earnings of subsidiary	–	(1,218)	–	1,218	–
Other income, net	–	456	(322)	–	134
Total expenses	–	317,405	(458)	757	317,704
(Loss) Income before benefit for income taxes	–	(37,173)	1,177	(851)	(36,847)
Benefit for income taxes	–	(17,600)	(41)	–	(17,641)
Net (loss) income	–	(19,573)	1,218	(851)	(19,206)
Unrealized gain (loss) on derivative instruments, net of tax of $9,803	–	(15,441)	–	–	(15,441)
Derivative loss reclassified into earnings, net of tax of $2,897	–	4,249	–	–	4,249
Foreign currency translation gain (loss), net of tax of $237 and $80, respectively	–	488	164	–	652
Total Other comprehensive (loss) income	–	(10,704)	164	–	(10,540)
Total comprehensive (loss) income	$ –	$ (30,277)	$ 1,382	$ (851)	$ (29,746)

(Dollars in Thousands, Except for Share Amounts)

17. Guarantor Financial Information (continued)

TRAC Intermodal LLC

Condensed Consolidating Statement of Cash Flows

For The Year Ended December 31, 2010

	Issuer Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ –	$ 45,704	$ (1,465)	$ –	$ 44,239
Investing activities:					
Proceeds from sale of leasing equipment	–	2,891	–	–	2,891
Collections on net investment in direct finance leases, net of interest earned	–	33,016	–	–	33,016
(Increase) decrease in restricted cash	–	(450)	–	–	(450)
Purchase of leasing equipment	–	(43,760)	–	–	(43,760)
Purchase of fixed asset	–	(762)	–	–	(762)
Investment in subsidiary	–	(2,032)	–	2,032	–
Other investing activities	–	3,040	–	–	3,040
Net cash (used in) provided by investing activities	–	(8,057)	–	2,032	(6,025)
Financing activities:					
Repayment of long-term debt	–	(53,014)	–	–	(53,014)
Cash paid for debt issuance fees	–	(1,727)	–	–	(1,727)
Capital contribution from parent	–	–	2,032	(2,032)	–
Net cash (used in) provided by financing activities	–	(54,741)	2,032	(2,032)	(54,741)
Effect of changes in exchange rates on cash and cash equivalents	–	785	(225)	–	560
Net (decrease) increase in cash and cash equivalents	–	(16,309)	342	–	(15,967)
Cash and cash equivalents, beginning of period	–	45,123	9,521	–	54,644
Cash and cash equivalents, end of period	$ –	$ 28,814	$ 9,863	$ $–	$ 38,677

(Dollars in Thousands, Except for Share Amounts)

17. Guarantor Financial Information (continued)

TRAC Intermodal LLC

Condensed Consolidating Balance Sheet

December 31, 2011

	Issuer Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ –	$ 27,835	$ 1,170	$ –	$ 29,005
Accounts receivable, net	–	57,377	270	–	57,647
Net Investment in direct finance leases	–	60,282	–	(5,506)	54,776
Leasing Equipment, net of accumulated depreciation	–	1,284,903	7,757	–	1,292,660
Goodwill	–	251,907	–	–	251,907
Affiliate and intercompany receivable	–	1,574	155	(155)	1,574
Intercompany dividend receivable	–	693	–	(693)	–
Investment in subsidiary	–	2,273	–	(2,273)	–
Other assets	–	20,150	330	–	20,480
Total assets	$–	$1,706,994	$9,682	$(8,627)	$1,708,049
Liabilities member's interest					
Accounts payable, accrued expenses and other liabilities	$–	$34,285	$414	$–	$34,699
Fair value of derivative instruments	–	79,082	–	–	79,082
Intercompany payable	–	155	–	(155)	–
Intercompany dividend payable	–	–	693	(693)	–
Intercompany lease payable	–	–	5,506	(5,506)	–
Deferred income	–	459	411	–	870
Deferred income taxes	–	75,727	385	–	76,112
Debt and capital lease obligations	–	976,643	–	–	976,643
Total liabilities	–	1,166,351	7,409	(6,354)	1,167,406
Total member's interest–	–	540,643	2,273	(2,273)	540,643
Total liabilities and member's interest	$ –	$ 1,706,994	$ 9,682	$ (8,627)	$ 1,708,049

(Dollars in Thousands, Except for Share Amounts)

17. Guarantor Financial Information (continued)

TRAC Intermodal LLC

Condensed Consolidating Statements of Operations
and Comprehensive (Loss) Income

For The Year Ended December 31, 2011

	Issuer Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total Revenue	$ –	$ 338,700	$ 745	$ (101)	$ 339,344
Direct operating expenses	–	171,936	139	–	172,075
Selling, general and administrative expenses	–	39,783	1,156	3	40,942
Depreciation expense	–	64,159	232	–	64,391
Provision for doubtful accounts	–	3,954	–	–	3,954
Impairment of leasing equipment	–	1,544	–	–	1,544
Loss on modification and extinguishment of debt	–	733	–	–	733
Interest expense	–	65,834	108	(107)	65,835
Interest income	–	(639)	(1)	7	(633)
Equity in earnings of subsidiary	–	2,314	–	(2,314)	–
Other income, net	–	(2,595)	1,060	–	(1,535)
Total expenses	–	347,023	2,694	(2,411)	347,306
(Loss) Income before benefit for income taxes	–	(8,323)	(1,949)	2,310	(7,962)
Benefit for income taxes	–	(4,419)	365	–	(4,054)
Net (loss) income	–	(3,904)	(2,314)	2,310	(3,908)
Unrealized gain (loss) on derivative instruments, net of tax of $7,768	–	(11,507)	–	–	(11,507)
Derivative loss reclassified into earnings, net of tax of $1,603	–	2,490	–	–	2,490
Foreign currency translation gain (loss), net of tax of $2 and $425, respectively	–	5	637	–	642
Total Other comprehensive (loss) income	–	(9,012)	637	–	(8,375)
Total comprehensive (loss) income	$ –	$ (12,916)	$ (1,677)	$ 2,310	$ (12,283)

(Dollars in Thousands, Except for Share Amounts)

17. Guarantor Financial Information (continued)

TRAC Intermodal LLC

Condensed Consolidating Statement of Cash Flows

For The Year Ended December 31, 2011

	Issuer Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ –	$ 41,224	$ (3,782)	$ (4,910)	$ 32,532
Investing activities:					
Proceeds from sale of leasing equipment	–	5,803	–	–	5,803
Collections on net investment in direct finance leases, net of interest earned	–	12,191	–	–	12,191
(Increase) decrease in restricted cash	–	6,060	–	–	6,060
Purchase of leasing equipment	–	(31,707)	–	–	(31,707)
Purchase of fixed asset	–	(823)	–	–	(823)
Net cash used in investing activities	–	(8,476)	–	–	(8,476)
Financing activities:					
Proceeds from long-term debt	–	111,704	–	–	111,704
Repayment of long-term debt	–	(143,743)	–	–	(143,743)
Cash paid for debt issuance fees	–	(1,964)	–	–	(1,964)
Dividend paid	–	–	(4,910)	4,910	–
Net cash (used in) provided by financing activities	–	(34,003)	(4,910)	4,910	(34,003)
Effect of changes in exchange rates on cash and cash equivalents	–	275	–	–	275
Net decrease in cash and cash equivalents	–	(980)	(8,692)	–	(9,672)
Cash and cash equivalents, beginning of period	–	28,815	9,862	–	38,677
Cash and cash equivalents, end of period	$ –	$ 27,835	$ 1,170	$ –	$ 29,005

(Dollars in Thousands, Except for Share Amounts)

17. Guarantor Financial Information (continued)

TRAC Intermodal LLC

Condensed Consolidating Balance Sheet

December 31, 2012

	Issuer Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ –	$ 25,837	$ 719	$ –	$ 26,556
Accounts receivable, net	–	80,024	596	–	80,620
Net Investment in direct finance leases	–	52,310	–	(11,581)	40,729
Leasing Equipment, net of accumulated depreciation	–	1,311,098	14,285	–	1,325,383
Goodwill	–	251,907	–	–	251,907
Affiliate and intercompany receivable	–	7,274	–	(5,578)	1,696
Intercompany interest receivable	13,017	–	–	(13,017)	–
Intercompany note receivable	300,000	–	–	(300,000)	–
Investment in subsidiary	538,907	2,876	–	(541,783)	–
Other assets	–	40,333	1,239	–	41,572
Total assets	$ 851,924	$ 1,771,659	$ 16,839	$ (871,959)	$ 1,768,463
Liabilities and member's interest					
Accounts payable, accrued expenses and other liabilities	$ 13,017	$ 34,078	$ 220	$ –	$ 47,315
Intercompany payable	–	–	1,175	(1,175)	–
Intercompany note payable	–	300,000	–	(300,000)	–
Intercompany interest payable	–	13,017	–	(13,017)	–
Intercompany lease payable	–	–	11,581	(11,581)	–
Deferred income	–	275	–	–	275
Deferred income taxes	–	72,582	987	–	73,569
Debt and capital lease obligations	300,000	808,397	–	–	1,108,397
Total liabilities	313,017	1,228,349	13,963	(325,773)	1,229,556
Total member's interest	538,907	543,310	2,876	(546,186)	538,907
Total liabilities and member's interest	$ 851,924	$ 1,771,659	$ 16,839	$ (871,959)	$ 1,768,463

(Dollars in Thousands, Except for Share Amounts)

17. Guarantor Financial Information (continued)

TRAC Intermodal LLC

Condensed Consolidating Statements of Operations
and Comprehensive (Loss) Income

For The Year Ended December 31, 2012

	Issuer Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total Revenue	$ –	$ 412,181	$ 2,723	$ (311)	$ 414,593
Direct operating expenses	–	214,085	40	–	214,125
Selling, general and administrative expenses	–	45,498	540	–	46,038
Depreciation expense	–	65,441	611	–	66,052
Provision for doubtful accounts	–	4,137	–	–	4,137
Impairment of leasing equipment	–	6,506	–	–	6,506
Loss on modification and extinguishment of debt	–	8,850	–	–	8,850
Interest expense	13,017	75,101	315	(13,331)	75,102
Interest income	(13,017)	(145)	–	13,019	(143)
Non-cash settlement of intercompany obligation	–	(6,367)	–	6,367	–
Equity in earnings of subsidiary	3,090	(1,123)	–	(1,967)	–
Other income, net	–	(309)	(500)	–	(809)
Total expenses	3,090	411,674	1,006	4,088	419,858
(Loss) Income before (benefit) provision for income taxes	(3,090)	507	1,717	(4,399)	(5,265)
(Benefit) provision for income taxes	–	(2,769)	594	–	(2,175)
Net (loss) income	(3,090)	3,276	1,123	(4,399)	(3,090)
Unrealized gain (loss) on derivative instruments, net of tax of $4,462	–	(6,772)	–	–	(6,772)
Derivative loss reclassified into earnings, net of tax of $4,757	–	6,261	–	–	6,261
Foreign currency translation gain (loss), net of tax of $195	–	158	–	–	158
Total Other comprehensive loss	–	(353)	–	–	(353)
Total comprehensive (loss) income	$ (3,090)	$ 2,923	$ 1,123	$ (4,399)	$ (3,443)

(Dollars in Thousands, Except for Share Amounts)

17. Guarantor Financial Information (continued)

TRAC Intermodal LLC

Condensed Consolidating Statement of Cash Flows

For The Year Ended December 31, 2012

	Issuer Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	**$ –**	**$ (7,820)**	**$ 242**	**$ (693)**	**$ (8,271)**
Investing activities:					
Proceeds from sale of leasing equipment	**–**	**2,689**	**–**	**–**	**2,689**
Collections on net investment in direct finance leases, net of interest earned	**–**	**7,836**	**–**	**–**	**7,836**
Disbursement related to intercompany note	**(300,000)**	**–**	**–**	**300,000**	**–**
Purchase of leasing equipment	**–**	**(102,989)**	**–**	**–**	**(102,989)**
Purchase of fixed asset	**–**	**(588)**	**–**	**–**	**(588)**
Net cash used in investing activities	**(300,000)**	**(93,052)**	**–**	**300,000**	**(93,052)**
Financing activities:					
Proceeds from long-term debt–	**300,000**	**932,397**	**–**	**(300,000)**	**932,397**
Repayment of long-term debt	**–**	**(800,738)**	**–**	**–**	**(800,738)**
Cash paid for debt issuance fees	**–**	**(32,588)**	**–**	**–**	**(32,588)**
Dividend Paid	**–**	**–**	**(693)**	**693**	**–**
Capital contribution from parent	**–**	**3,616**	**–**	**–**	**3,616**
Investment in parent	**–**	**(3,616)**	**–**	**–**	**(3,616)**
Repurchase of shares from employees	**–**	**(307)**	**–**	**–**	**(307)**
Net cash (used in) provided by financing activities	**300,000**	**98,764**	**(693)**	**(299,307)**	**98,764**
Effect of changes in exchange rates on cash and cash equivalents	**–**	**110**	**–**	**–**	**110**
Net decrease in cash and cash equivalents	**–**	**(1,998)**	**(451)**	**–**	**(2,449)**
Cash and cash equivalents, beginning of period	**–**	**27,835**	**1,170**	**–**	**29,005**
Cash and cash equivalents, end of period	**$ –**	**$ 25,837**	**$ 719**	**$ –**	**$ 26,556**

18. Subsequent Events

On January 10, 2013, the Company entered into an interest rate swap transaction with Deutsche Bank AG. The agreement effectively converts $300.0 million of variable rate debt based upon LIBOR into a fixed rate instrument with interest payable at a rate of 0.756% and will receive one-month LIBOR on the notional amount. The agreement terminates on August 9, 2017, in line with the termination date of the ABL Facility.

On January 14, 2013, the Company exercised two separate early purchase options of equipment under capital leases. The Company paid the lender $16.7 million inclusive of the final rental payment. This transaction closed on March 1, 2013.

On January 24, 2013, the Company amended the ABL Facility for a $15.0 million increase in committed funds bringing the total commitment by lenders to $860.0 million. Fees paid in connection with this amendment were immaterial and will be amortized over the remaining life of the loan.

On January 30, 2013, the Company agreed to purchase 1,389 domestic chassis from the lessor. The total commitment was for $7.9 million and this transaction closed on February 28, 2013. The chassis were formerly part of an operating lease agreement with a fair market purchase option upon expiration of the lease term.

On February 10, 2013, the Company agreed to purchase 2,080 domestic chassis from the lessor. The total commitment was for $15.7 million and this transaction closed on February 28, 2013. The chassis were formerly part of an operating lease agreement with a fair market purchase option upon expiration of the lease term.

On March 4, 2013, the Company amended the ABL Facility for a $20.0 million increase in committed funds bringing the total commitment by lenders to $880.0 million. Fees paid in connection with this amendment were immaterial and will be amortized over the remaining life of the loan.

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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, 2011 and 2012 and the related consolidated statements of operations, comprehensive loss, changes in member's interest and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, 2011 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

March 15, 2013

TRAC Intermodal is the world's largest provider of marine and domestic chassis operating throughout the United States, Canada and Mexico. The Company's operations include long term leasing, short term rentals through extensive chassis pool programs and pool/fleet management through the utilization of the Company's proprietary PoolStat® system. TRAC Intermodal's fleet consists of approximately 296,000 chassis and containers. We have a broad operating footprint with 546 marine, 152 domestic and 64 depot locations across North America. We are the leader in providing chassis solutions to the intermodal industry. Contact us to learn how our chassis products can help customers increase supply chain efficiency, control costs, and promote safety.

FOR MORE INFORMATION

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