TAL International Group, Inc.
Form 10-K
March 03, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For The Fiscal Year Ended December 31, 2008

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Transition Period from to

Commission file number- 001-32638
TAL International Group, Inc.
(Exact name of registrant as specified in the charter)

Delaware	**20-1796526**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
100 Manhattanville Road, Purchase, New York	**10577-2135**
(Address of principal executive office)	*(Zip Code)*

(914) 251-9000
(Registrant s telephone number including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common stock, $0.001 par value per share	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o
	(Do not check if a smaller reporting company)		

Indicate by check mark whether the registrant is a shell company (as defined in the Exchange Act Rule 12b-2). Yes o No þ

As of June 30, 2008, the last business day of the Registrant s most recently completed second fiscal quarter, there were 32,712,437 shares of the Registrant s common stock outstanding, and the aggregate market value of such shares held by non-affiliates of the Registrant (based upon the closing sale price of such shares on the New York Stock Exchange on June 30, 2008) was approximately $180,683,000. Shares of Registrant s common stock held by each executive officer and director and by each entity or person that, to the Registrant s knowledge, owned 5% or more of Registrant s outstanding common stock as of June 30, 2008 have been excluded in that such persons may be deemed to be affiliates of the Registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 20, 2009, there were 32,152,977 shares of the Registrant s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part of Form 10-K	**Document Incorporated by Reference**
Part II, Item 5, Part III, Items 10, 11, 12, 13, and 14	Portion of the Registrant s proxy statement to be filed in connection with the Annual Meeting of the Stockholders of the Registrant to be held on April 30, 2009.

TAL International Group, Inc.

2008 Annual Report on Form 10-K

Table of Contents

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that involve substantial risks and uncertainties. In addition, we, or our executive officers on our behalf, may from time to time make forward-looking statements in reports and other documents we file with the Securities and Exchange Commission, or SEC, or in connection with oral statements made to the press, potential investors or others. All statements, other than statements of historical facts, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words expect, estimate, anticipate, predict, believe think, plan, will, should, intend, seek, potential and similar expressions and variations are intended to iden forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements in this report are subject to a number of known and unknown risks and uncertainties that could cause our actual results, performance or achievements to differ materially from those described in the forward-looking statements, including, but not limited to, the risks and uncertainties described in the section entitled Risk Factors in this report as well as in the other documents we file with the SEC from time to time, and such risks and uncertainties are specifically incorporated herein by reference.

Forward-looking statements speak only as of the date the statements are made. Except as required under the federal securities laws and rules and regulations of the SEC, we undertake no obligation to update or revise forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. We caution you not to unduly rely on the forward-looking statements when evaluating the information presented in this report.

WEBSITE ACCESS TO COMPANY S REPORTS AND CODE OF ETHICS

Our Internet website address is www.talinternational.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

We have adopted a code of ethics that applies to all of our employees, officers, and directors, including our principal executive officer, principal financial officer and principal accounting officer. The text of our code of ethics is posted on our website at http://www.talinternational.com/ within the Corporate Governance portion of the Investors section of our website.

Also, copies of our annual report and Code of Ethics will be made available, free of charge, upon written request to:

TAL International Group, Inc.
100 Manhattanville Road
Purchase, New York 10577
Attn: Marc Pearlin, Vice President, General Counsel and Secretary
Telephone: (914) 251-9000

SERVICE MARKS MATTERS

The following items referred to in this annual report are registered or unregistered service marks in the United States and/or foreign jurisdictions pursuant to applicable intellectual property laws and are the property of us and our subsidiaries: TAL®, Tradex®, Trader® and Greyslot®.

PART I

ITEM 1. BUSINESS

Our Company

Our operations commenced in 1963 and we are one of the world s largest and oldest lessors of intermodal containers and chassis. Intermodal containers are large, standardized steel boxes used to transport freight by ship, rail or truck. Because of the handling efficiencies they provide, intermodal containers are the primary means by which many goods and materials are shipped internationally. Chassis are used for the transportation of containers domestically.

History

TAL International Group, Inc. (TAL or the Company) was formed on October 26, 2004, and commenced operations on November 4, 2004, when it acquired all of the outstanding capital stock of TAL International Container Corporation (TAL International Corporation) and Trans Ocean Ltd. (Trans Ocean) from TA Leasing Holding Co., Inc. (the Acquisition). Prior to the consummation of the Acquisition, TAL International Corporation and Trans Ocean were subsidiaries of an international insurance and finance company and provided long-term leases, service leases and finance leases, maritime equipment management services and subsequent sale of multiple types of intermodal equipment through a worldwide network of offices, third party depots and other facilities.

Business Segments

We operate our business in one industry, intermodal transportation equipment, and have two business segments:

- Equipment leasing we own, lease and ultimately dispose of containers and chassis from our lease fleet, as well as manage leasing activities for containers owned by third parties.

- Equipment trading we purchase containers from shipping line customers, and other sellers of containers, and resell these containers to container traders and users of containers for storage or one-way shipment.

Equipment Leasing Segment

Our equipment leasing operations include the acquisition, leasing, re-leasing and ultimate sale of multiple types of intermodal equipment. We have an extensive global presence, offering leasing services through 20 offices in 11 countries and 185 third-party container depot facilities in 37 countries as of December 31, 2008. Our customers are among the world s largest shipping lines and include, among others, APL-NOL, CMA CGM, NYK Line, Mediterranean Shipping Company and Maersk Line.

We lease three principal types of equipment: (1) dry freight containers, which are used for general cargo such as manufactured component parts, consumer staples, electronics and apparel, (2) refrigerated containers, which are used for perishable items such as fresh and frozen foods, and (3) special containers, which are used for heavy and oversized cargo such as marble slabs, building products and machinery. We also lease chassis, which are used for the transportation of containers domestically via rail and roads, and tank containers, which are used to transport bulk liquid products such as chemicals. We have also financed port equipment.

We generally lease our equipment on a per diem basis to our customers under three types of leases: long-term leases, finance leases and service leases. Long-term leases, typically with initial contractual terms of three to eight years, provide us with stable cash flow and low transaction costs by requiring customers to maintain specific units on-hire for the duration of the lease. Finance leases, which are typically structured as full payout leases, provide for a predictable recurring revenue stream with the lowest daily cost to the customer because customers are generally required to retain the equipment for the duration of its useful life. Service leases command a premium per diem rate in exchange for providing customers with a greater level of operational flexibility by allowing the pick-up and drop-off of units during the lease term. We also have expired long-term leases whose fixed terms have ended but for which the related units remain on-hire and for which we continue to receive rental payments pursuant to the terms of the initial contract. Some leases have contractual terms that have features reflective of both long-term and service leases, and we classify such leases as either long-term or service leases, depending upon which features are more predominant.

Our leases require lessees to maintain the equipment in good operating condition, defend and indemnify us from liabilities relating to the equipments contents and handling, and return the equipment to specified drop-off locations. As of December 31, 2008, 90% of our total fleet was on-hire to customers, with 54% of our fleet on long-term leases, 9% on finance leases, 18% on service leases and 9% on long-term leases whose fixed terms have expired. As of December 31, 2008, our long-term leases had an average remaining lease term of 38 months. In addition, 7% of our total fleet was available for lease and 3% was available for sale.

Our equipment leasing revenues primarily consist of leasing revenues derived from the lease of our owned equipment and, to a lesser extent, fees received for managing equipment owned by third parties. The most important driver of our profitability is the extent to which leasing revenues, which are driven primarily by our owned equipment fleet size, utilization and average rental rates, exceed our ownership and operating costs, which primarily consist of depreciation and amortization, interest expense, direct operating expenses and administrative expenses. We seek to exceed a targeted return on our investment over the life cycle of our equipment by managing equipment utilization, per diem lease rates, drop-off restrictions and the used equipment sale process.

Equipment Trading Segment

Through our extensive operating network, we purchase containers from shipping line customers and other sellers of containers and resell these containers to container traders and users of containers for storage and one-way shipments. Over the last five years, we have sold an average of approximately 37,000 twenty-foot equivalent units (TEU) of containers purchased for resale annually.

Total revenue for the equipment trading segment is primarily made up of equipment trading revenue, which represents the proceeds from sales of trading equipment. The profitability of this segment is largely driven by the volume of units purchased and sold, our per unit selling margin, and our direct operating and administrative expenses.

Industry Overview

According to Drewry Shipping Consultants Limited, as of December 2008, the container shipping industry generated over $250 billion in annual revenue. Containers provide a secure and cost-effective method of transporting raw materials, component parts and finished goods because they can be used in multiple modes of transport. By making it possible to move cargo from a point of origin to a final destination without repeated unpacking and repacking, containers reduce freight and labor costs. In addition, automated handling of containers permits faster loading and unloading of vessels, more efficient utilization of transportation equipment and reduced transit time. The protection provided by sealed containers also reduces cargo damage and the loss and theft of goods during shipment.

Over the last twenty-five years, containerized trade has grown at a rate greater than that of general worldwide economic growth. According to Clarkson Research Studies (Clarkson), worldwide containerized cargo volume grew in every year from 1981 through 2008, attaining a compound annual growth rate (CAGR) of 9.7% during that period. We believe that this historical growth was due to several factors, including the shift in global manufacturing capacity to lower labor cost areas such as China and India, the continued integration of developing high growth economies into global trade patterns and the continued conversion of cargo from bulk shipping into containers. However, global containerized trade growth turned significantly negative in the fourth quarter of 2008, and our customers are projecting that trade volumes will be exceptionally weak in 2009, especially for dry containers. Many forecasters are projecting that global containerized trade volumes may shrink in 2009.

Table of Contents

Container leasing firms maintain inventories of new and used containers in a wide range of worldwide locations and supply these containers primarily to shipping line customers under a variety of short and long-term lease structures. According to Containerisation International, container lessors ownership was approximately 11.2 million TEU or 40.5% of the total worldwide container fleet of 27.6 million TEU as of mid-2008.

In general, leasing containers helps shipping lines improve their overall container fleet efficiency and provides the shipping lines with an alternative source of equipment financing. Given the uncertainty and variability of export volumes, and the fact that shipping lines have difficulty in accurately forecasting their container requirements at a port-by-port level, the availability of containers for lease significantly reduces a shipping line s need to purchase and maintain larger container inventory buffers. In addition, the drop-off flexibility provided by operating leases also allows the shipping lines to adjust their container fleet sizes and the mix of container types in their fleets both seasonally and over time and helps to balance trade flows. Leasing containers also provides shipping lines with an additional source of funding to help them manage a high-growth, asset-intensive business.

Spot leasing rates are typically a function of, among other things, new equipment prices (which are heavily influenced by steel prices), interest rates and the equipment supply and demand balance at a particular time and location. Average leasing rates on an entire portfolio of leases respond more gradually to changes in new equipment prices, because lease agreements can only be re-priced upon the expiration of the lease. In addition, the value that lessors receive upon resale of equipment is closely related to the cost of new equipment.

Operations

We operate our business through 20 worldwide offices located in 11 different countries as of December 31, 2008. Our field operations include a global sales force, a global container operations group, an equipment resale group, and a logistics services group. Our headquarters are located in Purchase, New York, USA.

Our Equipment

Intermodal containers are designed to meet a number of criteria outlined by the International Standards Organization (ISO). The standard criteria include the size of the container and the gross weight rating of the container. This standardization ensures that containers can be used by the widest possible number of transporters and it facilitates container and vessel sharing by the shipping lines. The standardization of the container is also an important element of the container leasing business since we can operate one fleet of containers that can be used by all of our major customers.

Our fleet primarily consists of three types of equipment:

Dry Containers. A dry container is essentially a steel-constructed box with a set of doors on one end. Dry containers come in lengths of 20, 40 or 45 feet. They are 8 feet wide, and either 81/2 or 91/2 feet tall. Dry containers are the least-expensive and most widely used type of intermodal container and are used to carry general cargo such as manufactured component parts, consumer staples, electronics and apparel.

Refrigerated Containers. Refrigerated containers include an integrated cooling machine and an insulated container, come in lengths of 20 or 40 feet, and are 8 feet wide, and either 81/2 or 91/2 feet tall. These containers are typically used to carry perishable cargo such as fresh and frozen produce.

Special Containers. Most of our special containers are open top and flat rack containers. Open top containers come in similar sizes as dry containers, but do not have a fixed roof. Flat rack containers come in varying sizes and are steel platforms with folding ends and no fixed sides. Open top and flat rack containers are generally used to move heavy or bulky cargos, such as marble slabs, steel coils or factory components, that cannot be easily loaded on a fork lift through the doors of a standard container.

Over the last few years, we have added three equipment types to our fleet:

Tank Containers. Tank containers are stainless steel cylindrical tanks enclosed in rectangular steel frames, with the same outside dimensions as 20 foot dry containers. They carry bulk liquids such as chemicals.

Chassis. An intermodal chassis is a rectangular, wheeled steel frame, generally 231/2, 40 or 45 feet in length, built specifically for the purpose of transporting intermodal containers domestically. Longer sized chassis, designed solely to accommodate domestic containers, can be up to 53 feet in length. Once mounted, the chassis and container are the functional equivalent of a trailer. When mounted on a chassis, the container may be trucked either to its destination or to a railroad terminal for loading onto a rail car. Our chassis are primarily used in the United States.

Port Equipment. We finance container cranes, reach stackers and related equipment. We believe that the financing of such equipment is a natural extension of our equipment leasing business.

Our Leases

Most of our revenues are derived from leasing our equipment fleet to our core shipping line customers. The majority of our leases are structured as operating leases, though we also provide customers with finance leases. Regardless of lease type, we seek to exceed our targeted return on our investments over the life cycle of the equipment by managing utilization, lease rates, drop-off restrictions and the used equipment sale process.

Our lease products provide numerous operational and financial benefits to our shipping line customers. These benefits include:

Operating Flexibility. The timing, location and daily volume of cargo movements for a shipping line are often unpredictable. Leasing containers and chassis helps the shipping lines manage this uncertainty and minimize the requirement for large inventory buffers by allowing them to pick-up leased equipment on short notice.

Fleet Size and Mix Flexibility. The drop-off flexibility included in container and chassis operating leases allows shipping lines to more quickly adjust the size of their fleets and the mix of container types in their fleets as their trade volumes and patterns change due to seasonality, market changes or changes in company strategies.

Alternative Source of Financing. Container and chassis leases provide an additional source of equipment financing to help shipping lines manage the high level of investment required to maintain pace with the rapid growth of the asset-intensive container shipping industry.

Operating Leases. Operating leases are structured to allow customers flexibility to pick-up equipment on short notice and to drop-off equipment prior to the end of its useful life. Because of this flexibility, most of our containers and chassis will go through several pick-up and drop-off cycles. Our operating lease contracts specify a per diem rate for equipment on-hire, where and when such equipment can be returned, how the customer will be charged for damage and the charge for lost or destroyed equipment, among other things.

We categorize our operating leases as either long-term leases or service leases. Some leases have contractual terms that have features reflective of both long-term and service leases. We classify such leases as either long-term or service leases, depending upon which features are predominant. Long-term leases typically have initial contractual terms ranging from three to eight years with an average term of approximately five years at lease inception. Our long-term leases require our customers to maintain specific units on-hire for the duration of the lease term, and they provide us with predictable recurring cash flow. As of December 31, 2008, 54% of our containers and chassis were on-hire under long-term operating leases. As of December 31, 2008, our long-term leases had an average remaining duration of 38 months, assuming no leases are renewed. However, we believe that many of our customers will renew leases for equipment that is less than sale age at the expiration of the lease. In addition, our equipment typically remains on-hire at the contractual per diem rate for an additional six to twelve months beyond the end of the contractual lease term due to the logistical requirements of our customers having to return the containers and chassis to specific drop-off locations.

We also have expired long-term leases whose fixed terms have ended but for which the related units remain on-hire and for which we continue to receive rental payments pursuant to the terms of the initial contract. As of December 31, 2008, 9% of our containers and chassis were on long-term leases whose fixed terms have expired but for which the related units remain on-hire and for which we continue to receive rental payments.

Some of our long-term leases give our customers Early Termination Options (ETOs). If exercised, ETOs allow customers to return equipment prior to the expiration of the long-term lease. However, if an ETO is exercised, the customer is required to pay a penalty per diem rate that is applied retroactively to the beginning of the lease. As a result of this retroactive penalty, ETOs have historically rarely been exercised.

Service leases allow our customers to pick-up and drop-off equipment during the term of the lease, subject to contractual limitations. Service leases provide the customer with a higher level of flexibility than term leases and, as a result, typically carry a higher per diem rate. The terms of our service leases can range from twelve months to five years, though because equipment can be returned during the term of a service lease and since service leases are generally renewed or modified and extended upon expiration, lease term does not dictate expected on-hire time for our equipment on service leases. As of December 31, 2008, 18% of our containers and chassis were on-hire under service leases and this equipment has been on-hire for an average of 47 months.

Finance Leases. Finance leases provide our customers with an alternative method to finance their equipment acquisitions. Finance leases typically have lease terms ranging from five to ten years. Finance leases are generally structured for specific quantities of equipment, generally require the customer to keep the equipment on-hire for its remaining useful life, and typically provide the customer with a purchase option at the end of the lease term. As of December 31, 2008, approximately 9% of our containers and chassis were on-hire under finance leases.

Lease Documentation. In general, our lease agreements consist of two basic elements, a master lease agreement and a lease addendum. Lease addenda contain the business terms (including daily rate, term duration and drop-off schedule, among other things) for specific leasing transactions, while master lease agreements outline the general rights and obligations of the lessor and lessee under all of the lease addenda covered by the master lease agreement (lease addenda will specify the master lease agreement that governs the lease addenda). For most customers, we have a small number of master lease agreements (often one) and a large number of lease addenda.

Our master lease agreements generally require the lessees to pay rentals, depot charges, taxes and other charges when due, to maintain the equipment in good condition and repair, to return the equipment in good condition in accordance with the return condition set forth in the master lease agreement, to use the equipment in compliance with all federal, state, local and foreign laws, and to pay us for the value of the equipment as determined by us if the equipment is lost or destroyed. The default clause gives us certain legal remedies in the event that the lessee is in breach of the lease.

The master lease agreements contain an exclusion of warranties clause and require lessees to defend and indemnify us in most instances from third-party claims arising out of the lessee s use, operation, possession or lease of the equipment. Lessees are generally required to maintain all risks physical damage insurance, comprehensive general liability insurance and to indemnify us against loss. We also maintain our own off-hire physical damage insurance to cover our equipment when it is not on-hire to lessees and third-party liability insurance for both on-hire and off-hire equipment. Nevertheless, such insurance or indemnities may not fully protect us against damages arising from the use of our containers.

Logistics Management, Re-leasing, Depot Management and Equipment Disposals. We believe that managing the period after our equipments first lease is the most important aspect of our business. Successful management of this period requires disciplined logistics management, extensive re-lease capability, careful cost control and effective sales of used equipment.

Table of Contents

Logistics Management. Since the Asian financial crisis in the late 1990 s, the shipping industry has been characterized by large regional trade imbalances, with loaded containers generally flowing from export-oriented economies in Asia to North America and Western Europe. Because of these trade imbalances, shipping lines have an incentive to return leased containers in North America and Europe to reduce the cost of empty container backhaul. For several years after the Asian financial crisis, the return of large numbers of containers to North America and Europe reduced utilization for TAL and the rest of the leasing industry and significantly increased container positioning costs as leasing companies were forced to ship empty containers back to high container demand areas in Asia. In the aftermath of the Asian financial crisis, we embarked on a program to reduce logistical and utilization risk by increasing the percentage of our containers on long-term leases or finance leases and restricting the ability of our customers to return containers outside of Asian demand locations.

In addition to restructuring our leases, we increased our operational focus on moving empty containers as cheaply as possible. To accomplish this, we developed an in-house group of experts, which we call Greyslot, to manage our empty container positioning program. As part of their mandate to reposition our empty containers, Greyslot maintains frequent contact with various shipping lines and vessel owners to identify available vessel space, and our success with managing our own positioning program has led to additional revenue opportunities. For the last several years Greyslot has acted as a broker of empty vessel space for moving additional empty containers for third parties. Our third-party customers include leasing companies and shipping lines, and such third-party business currently represents a majority of the containers moved by Greyslot. While we have made important strides over the last few years in our logistics management, logistical risk remains an important element of our business due to competitive pressures, changing trade patterns and other market factors and uncertainties.

Re-Leasing. Since our operating leases allow customers to return containers and chassis, we typically are required to place containers and chassis on several leases during their useful lives. Initial lease transactions for new containers and chassis can usually be generated with a limited sales and customer service infrastructure because initial leases for new containers and chassis typically cover large volumes of units and are fairly standardized transactions. Used equipment, on the other hand, is typically leased out in small transactions that are structured to accommodate pick-ups and returns in a variety of locations. As a result, to maintain high utilization of older equipment, leasing companies benefit from having a large number of customers and maintaining a high level of operating contact with these customers. In addition, the utilization of older containers and chassis is highly influenced by the worldwide supply and demand balance of equipment at a particular time.

Depot Management. As of December 31, 2008, we managed our equipment fleet through 185 third-party owned and operated depot facilities located in 37 countries. Depot facilities are generally responsible for repairing our containers and chassis when they are returned by lessees and for storing the equipment while it is off-hire. We have a worldwide operations group that is responsible for managing our depot contracts and they also periodically visit the depot facilities to conduct inventory and repair audits. We also supplement our internal operations group with the use of independent inspection agents.

We are in constant communication with our depot partners through the use of electronic data interchange, or EDI. Our depots gather and prepare all information related to the activity of our equipment at their facilities and transmit the information via EDI and the Internet to us. The information we receive from our depots updates our fully integrated container fleet management and tracking system.

Most of the depot agency agreements follow a standard form and generally provide that the depot will be liable for loss or damage of equipment and, in the event of loss or damage, will pay us the previously agreed loss value of the applicable equipment. The agreements require the depots to maintain insurance against equipment loss or damage and we carry insurance to cover the risk that the depot s insurance proves insufficient.

Our container repair standards and processes are generally managed in accordance with standards and procedures specified by the Institute of International Container Lessors (IICL). The IICL establishes and documents the acceptable interchange condition for containers and the repair procedures required to return damaged containers to the acceptable interchange condition. At the time that containers are returned by lessees, the depot arranges an inspection of the containers to assess the repairs required to return the containers to acceptable IICL condition. This inspection process also splits the damage into two components, customer damage and normal wear and tear. Items typically designated as customer damage include dents in the container and debris left in the container, while items such as rust are typically designated as normal wear and tear.

Our leases are generally structured so that the lessee is responsible for the customer damage portion of the repair costs, and customers are billed for damages at the time the equipment is returned. We sometimes offer our customers a repair service program whereby we, for an additional payment by the lessee (in the form of a higher per-diem rate or a flat fee at off-hire), assume financial responsibility for all or a portion of the cost of repairs upon return of the equipment (but not of total loss of the equipment), up to a pre-negotiated amount.

Equipment Disposals. Our in-house equipment sales group has a worldwide team of specialists that manage the sale process for our used containers and chassis from our lease fleet. We generally sell to domestic storage companies, freight forwarders (who often use the containers for one-way trips) and other purchasers of used containers. We believe we are one of the world s largest sellers of used containers.

We have sold over 71,000 TEU of our owned and managed used containers on average over the last five years. The sale prices we receive for our used containers from our lease fleet are influenced by many factors, including the level of demand for used containers compared to the number of used containers available for disposal in a particular location, the cost of new containers, and the level of damage on the containers. While our total revenue is primarily made up of leasing revenue, gains or losses on the sale of used containers can have a significant positive or negative impact on our profitability.

Equipment Trading. We also buy and sell new and used containers and chassis acquired from third parties. We typically purchase our equipment trading fleet from many of our shipping line customers or other sellers of used or new equipment. Trading margins are dependent on the volume of units purchased and resold, selling prices, cost paid for equipment sold and selling and administrative costs. We have sold approximately 37,000 TEU of containers purchased from third parties for resale on average over the last five years.

Management Services

A portion of our container fleet is managed for third-party owners. We receive a specified percentage of the net revenue generated by our managed containers in return for our management services. If operating expenses were to exceed revenues, the owners are obligated to pay the excess or we may deduct the excess, including our management fee, from future net revenues. We typically receive a commission for selling managed containers, though in some cases, we are compensated for sales through a percentage sharing of sale proceeds over an agreed floor amount. Typically the terms of the management agreements are 10 to 12 years from the acceptance dates of containers under the agreement.

Environmental

We may be subject to environmental liability in connection with our current or historical operations that could adversely affect our business and financial prospects despite insurance coverage, terms of leases and other arrangements for use of the containers that place the responsibility for environmental liability on the end user. In certain countries like the United States, the owner of a leased container may be liable for the costs of environmental damage from the discharge of the contents of the container even though the owner is not at fault. We have not yet experienced any such claims, although we cannot assure you that we will not be subject to such claims in the future. Liability insurance policies, including ours, usually exclude claims for environmental damage. Our lessees are required to indemnify us from such claims. Some of our lessees may have separate insurance coverage for environmental damage, but we cannot assure you that any such policies would cover or otherwise offset any liability we may have as the owner of a leased container. Our standard master tank container lease agreement insurance clause requires our tank container lessees to provide pollution

Table of Contents

liability insurance. Such insurance or indemnities may not fully protect us against damages arising from environmental damage.

Countries that are signatories to the Montreal Protocol on the environment agreed in November 1992 to restrict the use of environmentally destructive refrigerants, banning production (but not use) of chlorofluorocarbon compounds (CFCs) beginning in January 1996. Less than 1% of our refrigerated containers still use CFC refrigerants. Over 99% of our refrigerated containers currently use R134A or 404A refrigerant. While R134A and 404A do not contain CFC s, the European Union has instituted regulations to phase out the use of R134A in automobile air conditioning systems beginning in 2011 due to concern that the release of R134A into the atmosphere may contribute to global warming. The European Union regulations do not restrict the use of R134A in refrigerated containers or trailers, though we are continuing to monitor regulatory developments. If future regulations prohibit the use or servicing of containers using R134A or 404A refrigerants, we could be forced to incur large retrofitting expenses.

An additional environmental concern affecting our operations relates to the construction materials used in our dry containers. The floors of dry containers are plywood usually made from tropical hardwoods. Due to concerns regarding de-forestation of tropical rain forests and climate change, many countries which have been the source of these hardwoods have implemented severe restrictions on the cutting and export of these woods. Accordingly, container manufacturers have switched a significant portion of production to more readily available alternatives such as birch, bamboo, and other farm grown wood species. Container users are also evaluating alternative designs which will limit the amount of plywood required and are also considering possible synthetic materials to replace the plywood. These new woods or other alternatives have not proven their durability over the 13-15 year life of a dry container and if they cannot perform as well as the hardwoods have historically, the future repair and operating costs for these containers could be significantly higher.

Credit Controls

We monitor our customers performance and our lease exposures on an ongoing basis. Our credit management processes are aided by the long payment experience we have with most of our customers and our broad network of relationships in the shipping industry that provides current information about our customers market reputations. Credit criteria may include, but are not limited to, customer payment history, customer financial position and performance (e.g., net worth, leverage, profitability), trade routes, country of domicile, social and political climate, and the type of, and location of, equipment that is to be supplied.

Marketing and Customer Service

Our global sales and customer service force is responsible for developing and maintaining relationships with senior operations staff at our shipping line customers, negotiating lease contracts and maintaining day-to-day coordination with junior level staff at our customers. This close customer communication helps us to negotiate lease contracts that satisfy both our financial return requirements and our customers operating needs and ensures that we are aware of our customers potential equipment shortages and that they are aware of our available equipment inventories.

Customers

We believe that we have strong, long standing relationships with our largest customers, most of whom we have had a relationship with for over 20 years. We currently have equipment on-hire to more than 300 customers, although approximately 76% of our units are on-hire to our 20 largest customers. Our customers are mainly international shipping lines, but we also lease containers to freight forwarding companies and manufacturers. The shipping industry has been consolidating for a number of years, and further consolidation could increase the portion of our revenue that comes from our largest customers. Our five largest customers accounted for approximately 48% of our 2008 leasing revenues. Our largest customer is APL-NOL, which accounted for approximately 15% of our leasing revenues in 2008, and 18% in 2007 and 2006. CMA CGM accounted for approximately 12% of our leasing revenue in 2008. No other customer exceeded 10% of our leasing revenues in 2008, 2007 or 2006. A default by any of these major customers could have a material adverse impact on our business, financial condition and future prospects.

Table of Contents

Currency

Although we have significant foreign-based operations, the U.S. dollar is the operating currency for the large majority of our leases (and company obligations), and most of our revenues and expenses are denominated in U.S. dollars. However we pay our non-U.S. staff in local currencies; and our direct operating expenses and disposal transactions for our older containers are often structured in foreign currencies. We record unrealized foreign currency exchange gains and losses primarily due to fluctuations in exchange rates related to our Euro and Pound Sterling transactions and related assets.

Systems and Information Technology

We have a proprietary, fully integrated fleet management system. The system tracks all of our equipment individually by unit number, provides design specifications for the equipment, tracks on-hire and off-hire transactions, matches each on-hire unit to a lease contract and each off-hire unit to a depot contract, maintains the major terms for each lease contract, calculates the monthly bill for each customer and tracks and bills for equipment repairs. Our system is EDI capable, which means it can receive and process equipment activity transactions electronically.

In addition, our system allows our business partners to conduct business with us through the Internet. It allows customers to check our equipment inventories, review design specifications, request clearances for returning equipment (the system will issue the clearance electronically if the return to the specified location is currently allowed by the contract covering the equipment), request bookings for equipment pick-ups and review and approve repair bills.

Suppliers

We have long relationships with all of our major suppliers. We purchase most of our containers and chassis in China. There are four large manufacturers of dry and special containers and three large manufacturers of refrigerated containers. Our operations staff reviews the designs for our containers and periodically audits the production facilities of our suppliers. In addition, we use our Asian operations group and third party inspectors to visit factories when our containers are being produced to provide an extra layer of quality control. Nevertheless, defects in our containers do sometimes occur. We work with the manufacturers to correct these defects, and our manufacturers have generally honored their warranty obligations in such cases.

Competition

We compete with approximately ten other major intermodal equipment leasing companies, many smaller lessors, manufacturers of intermodal equipment and companies offering finance leases as distinct from operating leases. It is common for our customers to utilize several leasing companies to meet their equipment needs.

Our competitors compete with us in many ways, including lease pricing, lease flexibility, supply reliability and customer service. In times of weak demand or excess supply, leasing companies often respond by lowering leasing rates and increasing the logistical flexibility offered in their lease agreements. In addition, new entrants into the leasing business have been attracted by the high rate of containerized trade growth in recent years, and they are often aggressive on pricing and lease flexibility.

While we are forced to compete aggressively on price, we attempt to emphasize our supply reliability and high level of customer service to our customers. We invest heavily to ensure adequate equipment availability in high demand locations, dedicate large portions of our organization to building customer relationships, maintain close day-to-day coordination with customers operating staffs and have developed powerful and user-friendly systems that allow our customers to transact with us through the Internet.

Employees

As of December 31, 2008, we employed approximately 200 people, in 20 offices, in 11 countries. We believe that our relations with our employees are good and we are not a party to any collective bargaining agreements.

Table of Contents

ITEM 1A. RISK FACTORS

Container leasing demand is affected by numerous market factors as well as external political and economic events that are beyond our control, any of which could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Demand for containers depends largely on the rate of world trade and economic growth. Demand for leased containers is also driven by our customers lease vs. buy decisions. Cyclical recessions can negatively affect lessors operating results because during economic downturns or periods of reduced trade, shipping lines tend to lease fewer containers, or lease containers only at reduced rates, and tend to rely more on their own fleets to satisfy a greater percentage of their requirements.

In 2008, the rate of global economic growth slowed significantly causing global containerized trade growth to decrease. Economic forecasts indicate that the global economy will be exceptionally weak in 2009, and some forecasters are predicting that global containerized trade volumes may shrink in 2009 for the first time ever. Weak or negative trade growth in 2009 is likely to lead to a decrease in leasing demand and a decrease in our container utilization, downward pressure on our leasing rates, a decrease in leasing revenue and an increase in container operating costs (such as storage and positioning). To the extent that weak or negative trade growth leads to an excess worldwide supply of containers and reduced demand for purchases of used containers, it is also likely that our used container disposal prices will decrease. All of these factors can have a large negative impact on our growth rate and financial performance.

In previous economic downturns, such as those that occurred in 2001 and 2002, we experienced many of the adverse effects described above. Many forecasters are predicting that the economic and global trade downturn will be significantly more severe in 2009 than it was in previous periods of weakness.

Other general factors affecting demand for leased containers, container utilization and per diem rental rates include:

- the available supply and prices of new and used containers;
- changes in the operating efficiency of our customers, economic conditions and competitive pressures in the shipping industry;
- the availability and terms of equipment financing for our customers;
- fluctuations in interest rates and foreign currency values;
- import/export tariffs and restrictions;
- customs procedures;
- foreign exchange controls and
- other governmental regulations and political or economic factors that are inherently unpredictable and may be beyond our control.

Any of the aforementioned factors may have a material adverse effect on our business, financial condition, results of operations or cash flows. For example, in 2005 the inventory of new containers held at container factories by leasing companies and shipping lines increased substantially despite continued growth in the volume of world trade. We believe that this container inventory build-up was mainly caused by our customers achieving improved container operating efficiency in 2005 due to an unexpected reduction in port and rail congestion relative to the significant congestion problems that were experienced in 2004. The build-up of container inventories in Asia by our customers reduced our volume of leasing transactions in 2005 and caused our container utilization to decrease. Additionally, as a result of the build-up of inventories of new equipment, we reduced our container orders for the third and fourth quarters of 2005.

Equipment prices and lease rates may decrease.

Lease rates depend on the type and length of the lease, the type, age and location of the equipment, competition, and other factors more fully discussed below. Container lease rates also move with the fluctuations in prices for new containers. Because steel is the major component used in the construction of new containers, the price for new containers, as well as prevailing container lease rates, are both highly correlated with the price of steel.

A decrease in market leasing rates impacts both our new container investments and the existing containers in our fleet. Most of our existing containers are on operating leases, which means that the lease term is shorter than the expected life of the container, so the lease rate we receive for the container is subject to change at the expiration of the current lease. As a result, during periods of low lease rates, the average lease rate we receive for our containers is negatively impacted by both the addition of new containers at low lease rates as well as the turnover of existing containers from leases with higher lease rates to leases with lower lease rates. For example, new container prices and lease rates decreased in the late 1990 s, because of, among other factors, a drop in worldwide steel prices and a shift in container manufacturing from Taiwan and Korea to areas with lower labor costs in mainland China. During this time, our average lease rates, leasing revenue and profitability declined rapidly due to lease rate decreases on our existing containers.

Container prices and market leasing rates have varied widely over the past five years. Container prices and market lease rates increased by over 40% from the middle of 2003 to the middle of 2005 primarily due to an increase in the price of steel in China, while during the second half of 2005 container prices and market leasing rates decreased significantly primarily due to reductions in the cost of steel in China. Container prices increased in the second quarter of 2006 and continued to increase through the second quarter of 2008. During the second half of 2008, steel and container prices and market lease rates decreased rapidly due to the global economic slowdown and the resulting decrease in demand for steel.

Leasing rates can also be negatively impacted by an excess supply of containers due to a decrease in global trade growth, the entrance of new leasing companies, overproduction of new containers by factories and over-buying of new containers by shipping lines and leasing competitors. During the fourth quarter of 2008, the inventory of containers in Asia increased significantly primarily due to a decrease in the volume of containerized exports from China. An excess supply of leasing company and shipping line owned containers in Asia will depress market leasing rates as long as the over-stock situation continues. In addition, a number of new leasing companies have commenced operations during the last several years, and competition for new container leases has been very aggressive.

In addition, our lease rates may not increase when container prices increase. In 2006, our average leasing rates decreased throughout the year despite relatively high container prices. The decrease in average leasing rates was mainly the result of lease renegotiations in which we offered several customers reduced lease rates in return for extensions of leases covering older containers.

If recent economic and trade trends continue, our lease rates in 2009 will decrease due to low steel and new container prices, low or negative containerized trade growth, weak leasing demand, an excess supply of containers and aggressive competition by leasing companies to capture the limited number of leasing opportunities that are likely to be available.

Lessee defaults may adversely affect our business, financial condition, results of operations and cash flow by decreasing revenues and increasing storage, positioning, collection, recovery and lost equipment expenses.

Our containers and chassis are leased to numerous customers. Rent and other charges, as well as indemnification for damage to or loss of our equipment, are payable under the leases and other arrangements by the lessees. Inherent in the nature of the leases and other arrangements for use of the equipment is the risk that once the lease is consummated, we may not receive, or may experience delay in realizing, all of the amounts to be paid in respect of the equipment. A delay or diminution in amounts received under the leases and other arrangements could adversely affect our business and financial prospects and our ability to make payments on our debt.

The cash flow from our equipment, principally lease rentals, management fees and proceeds from the sale of owned equipment, is affected significantly by our ability to collect payments under leases and other arrangements for the use of the equipment and our ability to replace cash flows from terminating leases by re-leasing or selling equipment on favorable terms. All of these factors are subject to external economic conditions and performance by lessees and service providers that are beyond our control.

When lessees or sublessees of our containers and chassis default, we may fail to recover all of our equipment, and the containers and chassis we do recover may be returned in damaged condition or to locations where we will not be able to efficiently re-lease or sell them. As a result, we may have to repair and reposition these containers and chassis to other places where we can re-lease or sell them, and we may lose lease revenues and incur additional operating expenses in repossessing and storing the equipment.

In 2008 we experienced an increase in lessee defaults, and it is likely that the number and size of customer defaults may increase in 2009 if economic conditions and global trade growth remain weak. In general, the profitability of our shipping line customers deteriorated significantly in 2008 due to decreasing freight rates caused by excess vessel capacity. Excess vessel capacity developed in 2008 and is likely to persist for several years due to the combination of large vessel deliveries planned for the next several years and a decrease in the rate of global containerized trade growth. In addition, the ongoing financial crisis makes lessee defaults more likely since shipping lines may face difficulty in arranging financing for their committed vessel purchases and any operating losses they may incur. Due to these factors, many industry observers believe that numerous small and mid-size shipping lines will cease operation in 2009 and believe that there is a reasonable likelihood that one or more major shipping lines could face serious financial problems.

Our balance sheet includes an allowance for doubtful accounts as well as an equipment reserve related to the expected costs of recovering and remarketing containers currently in the possession of customers that have either defaulted or that we believe currently present a significant risk of loss. These reserves are based on our historical experience and are currently at low levels, mainly due to the relatively low level of defaults we have experienced in recent years. However, future defaults may be material and any such future defaults could have a material adverse effect on our business condition and financial prospects.

Used container selling prices may decrease leading to lower gains or potentially large losses on the disposal of our equipment.

Although our revenue primarily depends upon equipment leasing, our profitability is also affected by the residual values of our containers upon the expiration of their leases because, in the ordinary course of our business, we sell certain containers when such containers are returned to us. The volatility of the residual values of such equipment may be significant. These values, which can vary substantially, depend upon, among other factors, the location of the containers, worldwide steel prices and the cost of new containers, the supply of used containers for disposal, applicable maintenance standards, refurbishment needs, inflation rates, market conditions, materials and labor costs and equipment obsolescence. Most of these factors are outside of our control. Operating leases, which represent the predominant form of leases in our portfolio, are subject to greater residual value risk than finance leases.

Containers are typically sold if it is in our best interest to do so after taking into consideration the book value, remaining useful life, repair condition, suitability for leasing or other uses and the prevailing local sales price for the containers. As these considerations vary, gains or losses on sale of equipment will also fluctuate and may be significant if we sell large quantities of containers.

From 1999 through 2003 our average sale prices for used containers were very low due to low prices for new containers and an extreme over-supply of used containers in North America and Europe following the Asia crisis. We recorded large losses on the disposal of our equipment during these years. Used container selling prices have generally been at historically high levels from 2005-2008, resulting in substantial gains on the disposal of our equipment, due to the increased cost of new containers, a high rate of containerized trade growth and the resulting limited amount of idle container inventories.

Market conditions for used equipment in 2009 look substantially worse than they have in recent years. Steel and new container prices have decreased significantly since peaking in the second quarter of 2008, a sharp decrease in containerized trade volumes in the fourth quarter of 2008 has led to rapid growth in the number of idle containers worldwide, and it seems likely that used container prices will decrease in 2009 if market conditions do not improve. A significant decrease in used container selling prices in 2009 could result in net disposal losses and significantly reduce our profitability.

We may incur future asset impairment charges.

An asset impairment charge may result from the occurrence of unexpected adverse events or management decisions that impact our estimates of expected cash flows generated from our long-lived assets. We review our long-lived assets, including our container and chassis equipment, goodwill and other intangible assets for impairment, including when events or changes in circumstances indicate the carrying value of an asset may not be recoverable. We may be required to recognize asset impairment charges in the future as a result of reductions in demand for specific container and chassis types, a weak economic environment, challenging market conditions, events related to particular customers or asset type, or as a result of asset or portfolio sale decisions by management.

If we are unable to finance capital expenditures, our business and growth plans will be adversely affected.

We periodically make capital investments to, among other things, maintain and expand our container fleet. Since 2006, we have relied on our asset securitization warehouse facility and our Asset Backed Credit facility to finance the majority of our new container investments. However, financing has become scarcer and more expensive due to the ongoing financial crisis. While we are seeking to add commitments to our Asset Backed Credit facility or obtain other suitable financing, the disruptions in the capital markets have continued to become more severe. If we are unsuccessful in obtaining sufficient additional financing on acceptable terms, we will not be able to invest in our fleet to maintain our historical growth rate and our profitability will decrease. Even if we are successful in securing additional financial commitments, we expect that our effective interest rates will increase. Furthermore, there can be no assurance that we will continue to be able to finance our capital expenditures in future years, especially if the current disruptions in the capital markets persist, and, if we are unable to do so, our future growth rate and profitability will decrease.

We have a substantial amount of debt outstanding on a consolidated basis and have significant debt service obligations which could adversely affect our financial condition or our ability to fulfill our obligations and make it more difficult for us to fund our operations.

We have a significant amount of debt outstanding on a consolidated basis. As of December 31, 2008, we had outstanding indebtedness of approximately $1.25 billion under our asset backed securities program and our other credit facilities. In addition, we have capital lease obligations in the amount of $92.1 million. Our interest and debt expense for the fiscal year ended December 31, 2008 was approximately $65.0 million. As of December 31, 2008, our total net debt (total debt plus equipment purchases payable less unrestricted cash) to total revenue earning assets was 76%.

Our substantial debt could have important consequences for investors, including the following:

- require us to dedicate a substantial portion of our cash flow from operations to make payments on our debt, thereby reducing funds available for operations, future business opportunities and other purposes;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

make it more difficult for us to satisfy our obligations with respect to our debt obligations, and any failure to comply with such obligations, including financial and other restrictive covenants, could result

- in an event of default under the agreements governing such indebtedness, which could lead to, among other things, an acceleration of our indebtedness or foreclosure on the assets securing our indebtedness and which could have a material adverse effect on our business or prospects;
- limit our ability to borrow additional funds, or to sell assets to raise funds, if needed, for working capital, capital expenditures, acquisitions or other purposes;
- make it more difficult for us to pay dividends on our common stock;
- increase our vulnerability to general adverse economic and industry conditions, including changes in interest rates; and
- place us at a competitive disadvantage compared to our competitors which have less debt.

We may not generate sufficient revenues to service and repay our debt and have sufficient funds left over to achieve or sustain profitability in our operations, meet our working capital and capital expenditure needs or compete successfully in our markets.

Despite our substantial leverage, we and our subsidiaries may be able to incur additional indebtedness. This could further exacerbate the risks described above.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although our asset backed securities program and our other credit facilities contain restrictions on the incurrence of additional indebtedness, such restrictions are subject to a number of qualifications and exceptions, and, under certain circumstances, indebtedness incurred in compliance with such restrictions could be substantial. To the extent that new indebtedness is added to our and our subsidiaries current debt levels, the risks described above would increase.

We will require a significant amount of cash to service and repay our outstanding indebtedness and fund future capital expenditures. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and repay our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future.

We cannot assure investors that:

- our business will generate sufficient cash flow from operations to service and repay our debt and to fund working capital and future capital expenditures;
- future borrowings will be available under our current or future credit facilities in an amount sufficient to enable us to repay our debt; or
- we will be able to refinance any of our debt on commercially reasonable terms or at all.

If we cannot generate sufficient cash from our operations to meet our debt service and repayment obligations, we may need to reduce or delay capital expenditures, the development of our business generally and any acquisitions. In addition, we may need to refinance our debt, obtain additional financing or sell assets, which we may not be able to do on commercially reasonable terms or at all.

Our customers may decide to lease fewer containers. Should shipping lines decide to buy a larger percentage of the containers they operate, our utilization rate would decrease, resulting in decreased leasing revenue, increased storage costs and increased positioning costs.

We, like other suppliers of leased containers, are dependent upon decisions by shipping lines to lease rather than buy their container equipment. Should shipping lines decide to buy a larger percentage of the containers they operate, our utilization rate would decrease, resulting in decreased leasing revenue, increased storage costs and increased positioning costs. A decrease in the portion of leased containers would also reduce our investment opportunities and significantly constrain our growth. Most of the factors affecting the decisions of our customers are outside our control.

Table of Contents

While the percentage of leased containers has been fairly steady historically, this percentage has been decreasing over the last few years, with the percentage of leased containers decreasing from 46% in 2004 to 40% in 2008, according to Containerisation International. We believe that increased share of containers owned directly by the shipping lines is the result of the improved financial performance, increased operating scale and improved information systems of our customers, which make it easier for our customers to finance and deploy new container purchases efficiently. We expect many of these factors to continue.

We are dependent upon continued demand from our large customer and any. default or significant reduction of orders from any of our large customers, and especially our single largest customer, could have a material adverse effect on our business, financial condition and future prospects.

Our largest customers account for a significant portion of our revenues. Our five largest customers represented approximately 48% of our leasing revenues for our 2008 fiscal year, with our single largest customer representing approximately 15% during such period. Furthermore, the shipping industry has been consolidating for a number of years, and further consolidation is expected and could increase the portion of our revenue that comes from our largest customers. The loss, default or significant reduction of orders from any of our large customers, and especially our single largest customer, could have a material adverse effect on our business, financial condition and future prospects.

We face extensive competition in the container leasing industry.

We may be unable to compete favorably in the highly competitive container leasing and sales business. We compete with approximately ten other major leasing companies, many smaller lessors, manufacturers of container equipment, companies offering finance leases as distinct from operating leases, promoters of container ownership and leasing as a tax shelter investment, shipping lines, which sometimes lease their excess container stocks, and suppliers of alternative types of equipment for freight transport. Some of these competitors may have greater financial resources and access to capital than we do. Additionally, some of these competitors may have large, underutilized inventories of containers, which could lead to significant downward pressure on lease rates and margins.

Competition among container leasing companies depends upon many factors, including, among others, lease rates, lease terms (including lease duration, drop-off restrictions and repair provisions), customer service, and the location, availability, quality and individual characteristics of equipment. New entrants into the leasing business have been attracted by the high rate of containerized trade growth in recent years, and new entrants have generally been less disciplined than we are in pricing and structuring leases. As a result, the entry of new market participants together with the already highly competitive nature of our industry, may reduce lease rates and undermine our ability to maintain our current level of container utilization or achieve our growth plans.

Litigation to enforce our leases and recover our containers has inherent uncertainties that are increased by the location of our containers in jurisdictions that have less developed legal systems.

While almost all of our lease agreements are governed by New York law and provide for the non-exclusive jurisdiction of the courts located in the state of New York, our ability to enforce the lessees obligations under the leases and other arrangements for use of the containers often is subject to applicable laws in the jurisdiction in which enforcement is sought. It is not possible to predict, with any degree of certainty, the jurisdictions in which enforcement proceedings may be commenced. Our containers are manufactured in Asia, primarily in China, and a substantial portion of our containers are leased out of Asia, primarily China, and are used by our customers in service between Asia and North America, Europe, Central and South America, the Middle East, and Africa and in inter-Asia trade. Litigation and enforcement proceedings have inherent uncertainties in any jurisdiction and are expensive. These uncertainties are enhanced in countries that have less developed legal systems where the interpretation of laws and regulations is not consistent, may be influenced by factors other than legal merits and may be cumbersome, time-consuming and even more expensive. For example, repossession from defaulting lessees may be difficult and more expensive in jurisdictions whose laws do not confer the same security interests and rights to creditors and lessors as those in the United States and where the legal system is not as well developed. As a result, the remedies available and the relative success and expedience of collection and enforcement proceedings with respect to the containers in various jurisdictions cannot be predicted. As more of our business shifts to areas outside of the United States and Europe, such as China, it may become more difficult and expensive to enforce our rights and recover our containers.

In 2008, the success of our recovery efforts for defaulted leases was hampered by undeveloped creditor protections and legal systems in a number of countries. In 2008, we experienced an increase in average recovery costs per unit and a decrease in the percentage of containers recovered in default situations primarily due to excessive charges applied to our containers by the depot or terminal facilities that had been storing the containers for the defaulted lessee. In these cases, the payments demanded by the depot or terminal operators often significantly exceeded the amount of storage costs that we would reasonably expect to pay for the release of the containers. However, our legal remedies were limited in many of the jurisdictions where the containers were being stored, and we were sometimes forced to accept the excessive storage charges to gain control of our containers. If the number and size of defaults increases in the future, and if a large percentage of the defaulted containers are being stored in countries with less developed legal systems, losses resulting from recovery payments and unrecovered containers could be large and our profitability significantly reduced.

The age of our container fleet may become a competitive disadvantage.

As of December 31, 2008, the average age of the containers in our fleet was 7.1 years. We believe that the average age of most of our competitors container fleets is lower than the average age of our fleet, and customers generally have a preference for younger containers. Historically, we have been successful in marketing our older equipment by positioning older containers to areas where demand is very strong, offering incentives for customers to extend containers on lease, and providing greater drop-off location flexibility for containers approaching sale age. However, our marketing strategies for older containers may not continue to be successful, particularly if demand for containers continues to decrease.

The age of our fleet may result in an increase in disposals of equipment and result in a reduction of lease revenue if we are unable to purchase and lease similar volumes of equipment.

As of December 31, 2008, the average age of the containers in our fleet was 7.1 years. A large portion of our fleet was acquired in the mid-1990 s and is on leases which take the units to the end of their serviceable life in marine transport. Upon redelivery, this equipment is likely to be disposed. From 2004 through 2008, we sold on average approximately 7% of our equipment leasing fleet containers annually. Due to the significant portion of older containers in our fleet, we expect that our disposal rate will increase for several years beginning in 2009. If we are unable to purchase and lease the volumes of equipment necessary to replace the units sold, our revenue could decrease.

Changes in market price, availability or transportation costs of containers in China could adversely affect our ability to maintain our supply of containers.

China is currently the largest container producing nation in the world, and we currently purchase substantially all of our dry containers, special containers and refrigerated containers from manufacturers based in China. In addition, over the last several years, there has been a consolidation in the container manufacturing industry, resulting in two manufacturers controlling approximately 65% of the market. In the event that it were to become more expensive for us to procure containers in China or to transport these containers at a low cost from the factory locations in China to the locations where they are needed by our customers, because of further consolidation among container suppliers, a dispute with one of our manufacturers, changes in trade patterns, increased tariffs imposed by the United States or other governments or for any other reason, we would have to seek alternative sources of supply. We may not be able to make alternative arrangements quickly enough to meet our equipment needs, and the alternative arrangements may increase our costs.

We may incur costs associated with relocation of leased equipment.

When lessees return equipment to locations where supply exceeds demand, we routinely reposition containers to higher demand areas. Positioning expenses vary depending on geographic location, distance, freight rates and other factors, and may not be fully covered by drop-off charges collected from the last lessees of the equipment or pick-up charges paid by the new lessees. Positioning expenses can be significant if a large portion of our containers are returned to locations with weak demand. For example, prior to the Asia crisis of the late 1990 s containerized trade was relatively evenly balanced globally, and as a result, many of our lease contracts provided extensive drop-off flexibility in North America and Europe. However, global containerized trade patterns changed dramatically in the aftermath of the Asia crisis, and demand for leased containers in North America and Europe substantially decreased. We incurred significant positioning expenses from 2000-2003 to shift our inventory of containers from North America and Europe to Asia. Further changes in the pattern of global containerized trade could force us to incur significant positioning expenses in the future.

We currently seek to limit the number of containers that can be returned and impose surcharges on containers returned to areas where demand for such containers is not expected to be strong. However, future market conditions may not enable us to continue such practices. In addition, we cannot assure you that we have accurately anticipated which port locations will be characterized by weak or strong demand in the future, and our current contracts will not provide much protection against positioning costs if ports that we expect to be strong demand ports turn out to be surplus container ports at the time leases expire.

Our asset backed securities program and our other credit facilities impose significant operating and financial restrictions, which may prevent us from pursuing certain business opportunities and taking certain actions.

Our asset backed securities program and other credit facilities impose, and the terms of any future indebtedness may impose, significant operating, financial and other restrictions on us and our subsidiaries. These restrictions will limit or prohibit, among other things, our ability to:

- incur additional indebtedness;
- pay dividends on or redeem or repurchase our stock;
- issue capital stock of us and our subsidiaries;
- make loans and investments;
- create liens;
- sell certain assets or merge with or into other companies;
- enter into certain transactions with stockholders and affiliates;
- cause our subsidiaries to make dividends, distributions and other payments to TAL; and
- otherwise conduct necessary corporate activities.

These restrictions could adversely affect our ability to finance our future operations or capital needs and pursue available business opportunities. A breach of any of these restrictions could result in a default in respect of the related indebtedness. If a default occurs, the relevant lenders could elect to declare the indebtedness, together with accrued interest and fees, to be immediately due and payable and proceed against any collateral securing that indebtedness, which will constitute substantially all of our material container assets.

It may become more expensive for us to store our off-hire containers.

We are dependent on third party depot operators to repair and store our equipment in port areas throughout the world. In many locations the land occupied by these depots is increasingly being considered as prime real estate. Accordingly, local communities are considering increasing restrictions on the depot operations which would increase their costs and in some cases force depots to relocate to sites further from the port areas. If these changes affect a large number of our depots it could significantly increase the cost of maintaining and storing our off-hire containers.

In addition, due to the reduction in cargo volumes, depots in several major port locations are becoming full. Therefore, it may become more difficult and expensive to store our containers.

Sustained Asian economic instability could reduce demand for leasing.

A number of the shipping lines to which we lease containers are entities domiciled in Asian countries. In addition, many of our customers are substantially dependent upon shipments of goods exported from Asia. From time to time, there have been economic disruptions, financial turmoil and political instability in this region. If these events were to occur in the future, they could adversely affect these customers and lead to a reduced demand for leasing of our containers or otherwise adversely affect us.

Manufacturers of our equipment may be unwilling or unable to honor manufacturer warranties covering defects in our equipment.

We obtain warranties from the manufacturers of our equipment. When defects in the containers occur, we work with the manufacturers to identify and rectify the problem. However, there is no assurance that manufacturers will be willing or able to honor warranty obligations. If defects are discovered in containers that are not covered by manufacturer warranties we could be required to expend significant amounts of money to repair the containers and/or the useful life of the containers could be shortened and the value of the containers reduced.

We rely on our information technology systems to conduct our business. If these systems fail to adequately perform these functions, or if we experience an interruption in their operation, our business and financial results could be adversely affected.

The efficient operation of our business is highly dependent on two of our information technology systems: our equipment tracking and billing system and our customer interface system. For example, these systems allow customers to place pick-up and drop-off orders on the Internet, view current inventory and check contractual terms in effect with respect to any given container lease agreement. We correspondingly rely on such information systems to track transactions, such as container pick-ups and drop-offs, repairs, and to bill our customers for the use and damage to our equipment. We also use the information provided by these systems in our day-to-day business decisions in order to effectively manage our lease portfolio and improve customer service. The failure of these systems to perform as we anticipate could disrupt our business and results of operation and cause our relationships with our customers to suffer. In addition, our information technology systems are vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, power loss and computer systems failures and viruses. Any such interruption could have a material adverse effect on our business.

A number of key personnel are critical to the success of our business.

Most of our senior executives and other management-level employees have been with us for over ten years and have significant industry experience. We rely on this knowledge and experience in our strategic planning and in our day-to-day business operations. Our success depends in large part upon our ability to retain our senior management, the loss of one or more of whom could have a material adverse effect on our business. Our success also depends on our ability to retain our experienced sales force and technical personnel as well as recruiting new skilled sales, marketing and technical personnel. Competition for these persons in our industry is intense and we may not be able to successfully recruit, train or retain qualified personnel. If we fail to retain and recruit the necessary personnel, our business and our ability to retain customers and provide acceptable levels of customer service could suffer.

Table of Contents

The international nature of the container industry exposes us to numerous risks

We are subject to risks inherent in conducting business across national boundaries, any one of which could adversely impact our business. These risks include:

- regional or local economic downturns;
- changes in governmental policy or regulation;
- restrictions on the transfer of funds into or out of countries in which we operate;
- compliance with U.S. Treasury sanctions regulations restricting doing business with certain nations or specially designated nationals;
- import and export duties and quotas;
- domestic and foreign customs and tariffs;
- international incidents;
- military outbreaks;
- government instability;
- nationalization of foreign assets;
- government protectionism;
- compliance with export controls, including those of the U.S. Department of Commerce;
- compliance with import procedures and controls, including those of the U.S. Department of Homeland Security;
- potentially negative consequences from changes in tax laws;
- requirements relating to withholding taxes on remittances and other payments by subsidiaries;
- labor or other disruptions at key ports;
- difficulty in staffing and managing widespread operations; and
- restrictions on our ability to own or operate subsidiaries, make investments or acquire new businesses in these jurisdictions.

Any one or more of these factors could impair our current or future international operations and, as a result, harm our overall business.

Certain liens may arise on our containers.

Depot operators, repairmen and transporters may come into possession of our containers from time to time and have sums due to them from the lessees or sublessees of the containers. In the event of nonpayment of those charges by the lessees or sublessees, we may be delayed in, or entirely barred from, repossessing the containers, or be required to make payments or incur expenses to discharge such liens on the containers.

The lack of an international title registry for containers increases the risk of ownership disputes.

There is no internationally recognized system of recordation or filing to evidence our title to containers nor is there an internationally recognized system for filing security interest in containers. Although this has not occurred to date, the lack of a title recordation system with respect to containers could result in disputes with lessees, end-users, or third parties who may improperly claim ownership of the containers.

Table of Contents

As a U.S. corporation, we are subject to the Foreign Corrupt Practices Act, and a determination that we violated this act may affect our business and operations adversely.

As a U.S. corporation, we are subject to the regulations imposed by the Foreign Corrupt Practices Act (FCPA), which generally prohibits U.S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business. Any determination that we have violated the FCPA could have a material adverse effect on our business, financial condition, results of operations and cash flows.

As a U.S. corporation, we are subject to U.S. Executive Orders and U.S. Treasury Sanctions Regulations regarding doing business in or with certain nations and specially designated nationals (SDNs).

As a U.S. corporation, we are subject to U.S. Executive Orders and U.S. Treasury sanctions regulations restricting or prohibiting business dealings in or with certain nations and with certain specially designated nationals (individuals and legal entities). Any determination that we have violated such Executive Orders and U.S. Treasury sanctions regulations could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may incur increased costs associated with the implementation of new security regulations, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may be subject to regulations promulgated in various countries, including the United States, seeking to protect the integrity of international commerce and prevent the use of containers for international terrorism or other illicit activities. For example, the Container Safety Initiative, the Customs-Trade Partnership Against Terrorism and Operation Safe Commerce are among the programs administered by the U.S. Department of Homeland Security that are designed to enhance security for cargo moving throughout the international transportation system by identifying existing vulnerabilities in the supply chain and developing improved methods for ensuring the security of containerized cargo entering and leaving the United States. Moreover, the International Convention for Safe Containers, 1972 (CSC), as amended, adopted by the International Maritime Organization, applies to containers and seeks to maintain a high level of safety of human life in the transport and handling of containers by providing uniform international safety regulations. As these regulations develop and change, we may incur increased compliance costs due to the acquisition of new, compliant containers and/or the adaptation of existing containers to meet any new requirements imposed by such regulations. Additionally, certain companies are currently developing or may in the future develop products designed to enhance the security of containers transported in international commerce. Regardless of the existence of current or future government regulations mandating the safety standards of intermodal shipping containers, our competitors may adopt such products or our customers may require that we adopt such products in the conduct of our container leasing business. In responding to such market pressures, we may incur increased costs, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Terrorist attacks could negatively impact our operations and our profitability and may expose us to liability and reputational damage.

Terrorist attacks may negatively affect our operations. Such attacks have contributed to economic instability in the United States and elsewhere, and further acts of terrorism, violence or war could similarly affect world trade and the industries in which we and our customers operate. In addition, terrorist attacks or hostilities may directly impact ports our containers come in and out of, depots, our physical facilities or those of our suppliers or customers and could impact our sales and our supply chain. A severe disruption to the worldwide ports system and flow of goods could result in a reduction in the level of international trade and lower demand for our containers. The consequences of any terrorist attacks or hostilities are unpredictable, and we may not be able to foresee events that could have an adverse effect on our operations.

It is also possible that one of our containers could be involved in a terrorist attack. Although our lease agreements require our lessees to indemnify us against all damages arising out of the use of our containers,

Table of Contents

and we carry insurance to potentially offset any costs in the event that our customer indemnifications prove to be insufficient, our insurance does not cover certain types of terrorist attacks, and we may not be fully protected from liability or the reputational damage that could arise from a terrorist attack which utilizes one of our containers.

Environmental liability may adversely affect our business and financial situation.

We are subject to federal, state, local and foreign laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants to air and water, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. We could incur substantial costs, including cleanup costs, fines and third-party claims for property damage and personal injury, as a result of violations of or liabilities under environmental laws and regulations in connection with our current or historical operations. Under some environmental laws in the United States and certain other countries, the owner of a leased container may be liable for environmental damage, cleanup or other costs in the event of a spill or discharge of material from a container without regard to the owner s fault. We have not yet experienced any such claims, although we cannot assure you that we will not be subject to such claims in the future. Liability insurance policies, including ours, usually exclude claims for environmental damage. Some of our lessees may have separate insurance coverage for environmental damage, but we cannot assure you that any such policies would cover or otherwise offset any liability we may have as the owner of a leased container. Our standard master tank container lease agreement insurance clause requires our tank container lessees to provide pollution liability insurance. Such insurance or indemnities may not fully protect us against damages arising from environmental damage.

Many countries, including the United States, restrict, prohibit or otherwise regulate the use of chlorofluorocarbon compounds (CFCs) due to their ozone depleting and global warming effects. Over 99% of our refrigerated containers currently use R134A or 404A refrigerant. While R134A and 404A do not contain CFC s, the European Union has instituted regulations to phase out the use of R134A in automobile air conditioning systems beginning in 2011 due to concern that the release of R134A into the atmosphere may contribute to global warming. While the European Union regulations do not currently restrict the use of 134A in refrigerated containers or trailers, it is possible that the phase out of R134A in automobile air conditioning systems will be extended to intermodal containers in the future. If future regulations prohibit the use or servicing of containers using R134A or 404A refrigerants, we could be forced to incur large retrofitting expenses. In addition, refrigerated containers that are not retrofitted may become difficult to lease and command lower prices in the market for used containers once we retire these containers from our fleet.

An additional environmental concern affecting our operations relates to the construction materials used in our dry containers. The floors of dry containers are plywood usually made from tropical hardwoods. Due to concerns regarding de-forestation of tropical rain forests and climate change, many countries which have been the source of these hardwoods have implemented severe restrictions on the cutting and export of these woods. Accordingly, container manufacturers have switched a significant portion of production to more readily available alternatives such as birch, bamboo, and other farm grown wood species. Container users are also evaluating alternative designs that would limit the amount of plywood required and are also considering possible synthetic materials to replace the plywood. These new woods or other alternatives have not proven their durability over the 13-15 year life of a dry container and if they cannot perform as well as the hardwoods have historically the future repair and operating costs for these containers could be significantly higher.

Fluctuations in foreign exchange rates could reduce our profitability.

The majority of our revenues and costs are billed in U.S. dollars. Most of our non-U.S. dollar transactions are individually of small amounts and in various denominations and thus are not suitable for cost-effective hedging. In addition, almost all of our container purchases are paid for in U.S. dollars.

Our operations and used container sales in locations outside of the U.S. have some exposure to foreign currency fluctuations, and trade growth and the direction of trade flows can be influenced by large changes in

24

relative currency values. Adverse or large exchange rate fluctuations may negatively affect our results of operations and financial condition.

Most of our equipment fleet is manufactured in China. Although the purchase price is in U.S. dollars, our manufacturers pay labor and other costs in the local currency, the Chinese Yuan. To the extent that our manufacturers costs increase due to changes in the valuation of the Chinese Yuan, the dollar price we pay for equipment could be affected.

Increases in the cost of or the lack of availability of insurance could increase our risk exposure and reduce our profitability.

Our lessees and depots are required to maintain all risks physical damage insurance, comprehensive general liability insurance and to indemnify us against loss. We also maintain our own contingent liability insurance and off-hire physical damage insurance. Nevertheless, lessees and depots insurance or indemnities and our insurance may not fully protect us. The cost of such insurance may increase or become prohibitively expensive for us and our customers and such insurance may not continue to be available.

We also maintain director and officer liability insurance. Potential new accounting standards and new corporate governance regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantial costs to maintain increased levels of coverage or it may not continue to be available.

We could become subject to additional risks associated with financing of port equipment, which could have a material adverse effect on our business, financial condition, results of operations or cash flows.

We from time to time may enter into port equipment finance transactions in which we finance container cranes, reach stackers, and related equipment. The financing of port equipment such as container cranes involves additional risks such as the additional maintenance requirements for the equipment which if not followed could reduce the value of the equipment, the risk of personal injury inherent in operating this equipment, the limited remarketing opportunities for such equipment, the increased risk of technical obsolescence of such equipment and the high cost of transporting the equipment should it need to be repositioned.

We are a controlled company within the meaning established by the New York Stock Exchange and, as a result, qualify for, and intend to rely on, exemptions from certain corporate governance requirements.

The Resolute Fund, L.P., its affiliated funds and the other parties to a shareholders agreement among the investors who acquired our company in November 2004, management and certain of our other shareholders, as a group, control a majority of our outstanding common stock, and, as a result, we are considered a controlled company within the meaning of the corporate governance standards of the New York Stock Exchange. Under these rules, a controlled company is exempt from complying with certain corporate governance requirements, including (1) the requirement that a majority of the board of directors consist of independent directors, (2) the requirement that we have a nominating/corporate governance committee that is composed entirely of independent directors and (3) the requirement that we have a compensation committee that is composed entirely of independent directors. As a result, our board of directors does not consist of a majority of independent directors nor does our board of directors have compensation and nominating/corporate governance committees consisting entirely of independent directors. Accordingly, investors do not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the New York Stock Exchange.

Our strategy to selectively pursue complementary acquisitions and joint ventures may present unforeseen integration obstacles or costs.

We may selectively pursue complementary acquisitions and joint ventures. Acquisitions involve a number of risks and present financial, managerial and operational challenges, including:

- potential disruption of our ongoing business and distraction of management;

difficulty with integration of personnel and financial and other systems;

hiring additional management and other critical personnel; and

increasing the scope, geographic diversity and complexity of our operations.

In addition, we may encounter unforeseen obstacles or costs in the integration of acquired businesses. Also, the presence of one or more material liabilities of an acquired company that are unknown to us at the time of acquisition may have a material adverse effect on our business. Our acquisition and joint venture strategy may not be successfully received by customers, and we may not realize any anticipated benefits from acquisitions or joint ventures.

The price of our common stock may be highly volatile and may decline regardless of our operating performance.

The trading price of our common shares is likely to be subject to wide fluctuations. Factors affecting the trading price of our common shares may include:

variations in our financial results;

changes in financial estimates or investment recommendations by securities analysts following our business;

the public s response to our press releases, our other public announcements and our filings with the Securities and Exchange Commission;

changes in accounting standards, policies, guidance or interpretations or principles;

future sales of common stock by us and our directors, officers and significant stockholders;

announcements of technological innovations or enhanced or new products by us or our competitors;

our failure to achieve operating results consistent with securities analysts projections;

the operating and stock price performance of other companies that investors may deem comparable to us;

changes in our dividend policy;

fluctuations in the worldwide equity markets;

recruitment or departure of key personnel;

our failure to timely address changing customer preferences;

broad market and industry factors; and

other events or factors, including those resulting from war, incidents of terrorism or responses to such events.

In addition, if the market for intermodal equipment leasing company stocks or the stock market in general experiences loss of investor confidence, the trading price of our common shares could decline for reasons unrelated to our business or financial results. The trading price of our common shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us.

If securities analysts do not publish research or reports about our business or if they downgrade our stock, the price of our stock could decline.

The trading market for our common shares relies in part on the research and reports that industry or financial analysts publish about us or our business or our industry. We have no influence or control over these analysts. Furthermore, if one or more of the analysts who do cover us downgrades our stock, the price of our stock could decline. If one or more of these analysts ceases coverage of our company, we could lose visibility in the market, which in turn could cause our stock price to decline.

Table of Contents

Our failure to comply with required public company corporate governance and financial reporting practices and regulations could materially and adversely impact our financial condition, operating results and the price of our common stock.

The Sarbanes-Oxley Act of 2002 requires that we maintain effective internal controls for financial reporting and disclosure controls and procedures. If we do not maintain compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or if we or our independent registered public accounting firm identify deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, we could suffer a loss of investor confidence in the reliability of our financial statements, which could cause the market price of our stock to decline. We can also be subject to sanctions or investigations by the New York Stock Exchange, the Securities and Exchange Commission or other regulatory authorities for failure to comply with public company corporate governance and financial reporting practices and regulations.

Our internal controls over financial reporting may not detect all errors or omissions in the financial statements.

Section 404 of the Sarbanes-Oxley Act requires an annual management assessment of the effectiveness of internal controls over financial reporting and a report by our independent registered public accounting firm. If we fail to maintain the adequacy of internal controls over financial accounting, we may not be able to conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with the Sarbanes-Oxley Act of 2002 and related regulations. Although our management has concluded that adequate internal control procedures are currently in place, no system of internal controls can provide absolute assurance that the financial statements are accurate and free of material errors. As a result, the risk exists that our internal controls may not detect all errors or omissions in the financial statements.

Adverse changes in business conditions could negatively impact our income tax provision or cash payments.

Our net deferred tax liability balance includes a deferred tax asset for U.S. federal and various states resulting from net operating loss carryforwards. A reduction to our future earnings, which will lower taxable income, may require us to record a charge against earnings, in the form of a valuation allowance, if it is determined it is more-likely-than-not that some or all of the loss carryforwards will not be realized.

In addition, under certain conditions, if our future investment in new container and chassis operating leases is significantly less than estimated, we may fail to benefit from future accelerated depreciation for income tax purposes. If this occurs we could pay significant income taxes sooner than we currently project.

Equipment trading is dependent upon a steady supply of used equipment.

We purchase used containers for resale from our shipping line customers and other sellers. If the supply of equipment becomes limited because these sellers develop other means for disposing of their equipment or develop their own sales network, we may not be able to purchase the inventory necessary to meet our goals, and our equipment trading revenues and our profitability could be negatively impacted.

Abrupt changes in selling prices on equipment purchased for resale could negatively affect our equipment trading margins.

We purchase and sell containers opportunistically as part of our equipment trading segment. We purchase equipment for resale on the premise that we will turnover this inventory in a relatively short time frame. If selling prices rapidly deteriorate and we are holding a large inventory that was purchased when prices for equipment were higher, then our gross margins could decline or become negative.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

Table of Contents

ITEM 2. PROPERTIES

Office Locations. As of December 31, 2008, our employees are located in 20 offices in 11 different countries. We have 8 offices in the U.S. including our headquarters in Purchase, New York. We have 12 offices outside the U.S. We lease all of our office space.

ITEM 3. LEGAL PROCEEDINGS

From time to time we are a party to litigation matters arising in connection with the normal course of our business. While we cannot predict the outcome of these matters, in the opinion of our management, any liability arising from these matters will not have a material adverse effect on our business. Nevertheless, unexpected adverse future events, such as an unforeseen development in our existing proceedings, a significant increase in the number of new cases or changes in our current insurance arrangements could result in liabilities that have a material adverse impact on our business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders of TAL International Group, Inc. during the fourth quarter of 2008.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has been traded on the New York Stock Exchange under the symbol TAL since October 12, 2005. Prior to that time, there was no public market for our common stock.

The following table reflects the range of high and low sales prices, as reported on the New York Stock Exchange, for our common stock in each quarter of the years ended December 31, 2008 and 2007.

	High	Low
2008:		
Fourth Quarter	$ 20.82	$ 8.00
Third Quarter	$ 26.96	$ 20.06
Second Quarter	$ 28.35	$ 22.51
First Quarter	$ 25.26	$ 19.78
2007:		
Fourth Quarter	$ 25.46	$ 20.96
Third Quarter	$ 30.28	$ 22.62
Second Quarter	$ 30.75	$ 23.94
First Quarter	$ 27.89	$ 22.75

On February 20, 2009, the closing price of a share of our common stock was $8.38, as reported on the New York Stock Exchange. On that date, there were approximately 51 holders of record of the common stock and approximately 4,895 beneficial holders, based on information obtained from our transfer agent.

Table of Contents

PERFORMANCE GRAPH

The graph below compares our cumulative shareholder returns with the S&P 500 Stock Index and the Russell 2000 Stock Index for the period from October 12, 2005 (the date our common stock began trading) to December 31, 2008. The graph assumes the investment of $100 as of October 12, 2005 and the reinvestment of all dividends.

Comparison of Cumulative Total Return

Company/Index	Base Period 10/12/05	Years Ended 12/31/05	12/31/06	12/31/07	12/31/08
TAL International Group, Inc.	$ 100	$ 114.72	$ 151.18	$ 136.68	$ 92.01
S&P 500 Index	100	106.52	123.34	130.12	81.98
Russell 2000 Index	100	108.62	128.58	126.56	83.80

Dividends

We paid the following quarterly dividends during the years ended December 31, 2008 and 2007 on our issued and outstanding common stock:

Record Date	Payment Date	Aggregate Payment	Per Share Payment
November 19, 2008	December 10, 2008	$ 13.4 million	$ 0.4125
August 21, 2008	September 12, 2008	$ 13.5 million	$ 0.4125
May 22, 2008	June 12, 2008	$ 13.4 million	$ 0.4125
March 20, 2008	April 10, 2008	$ 12.2 million	$ 0.3750
November 6, 2007	December 10, 2007	$ 12.5 million	$ 0.3750
August 15, 2007	August 29, 2007	$ 12.5 million	$ 0.3750
May 17, 2007	May 30, 2007	$ 12.5 million	$ 0.3750
February 23, 2007	March 9, 2007	$ 10.0 million	$ 0.3000

Beginning in the first quarter of 2009, we reduced our quarterly cash dividend to $0.01 per share. We cannot provide any assurance as to future dividends because they depend on our future earnings, capital requirements, and financial condition.

Table of Contents

Stock Repurchase Program

On March 13, 2006, our Board of Directors authorized a stock repurchase program for the repurchase of up to 1.5 million shares of our common stock. On September 5, 2007, our Board of Directors authorized a 1.0 million share increase to our stock repurchase program that began in March 2006. The stock repurchase program, as now amended, authorizes us to repurchase up to 2.5 million shares of our common stock.

Our share purchase activity during the year ended December 31, 2008 is summarized in the following table:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 31, 2008	362,100	$ 21.97	362,100	1,725,621
November 1 30, 2008	73,200	$ 10.06	73,200	1,652,421
December 1 31, 2008	207,900	$ 10.89	207,900	1,444,521

There were no shares purchased by us during the months of February through October 2008.

Stock repurchases under this program may be made through open market and/or privately negotiated transactions at such times and in such amounts as a committee of our Board of Directors deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, restrictions regarding a repurchase program included in our credit facilities and other market conditions. The stock repurchase program does not have an expiration date and may be limited or terminated by the Board of Directors at any time without prior notice.

Recent Sales of Unregistered Securities; Use of Proceeds From Registered Securities

None.

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this Item is incorporated herein by reference from our proxy statement to be issued in connection with the Annual Meeting of our Stockholders to be held on April 30, 2009, which proxy statement will be filed with the SEC within 120 days of the close of our fiscal year ended December 31, 2008.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth certain selected historical financial, operating and other data of TAL International Group, Inc. (the Successor) and Trans Ocean and certain operations of TAL International Container Corporation on a combined basis (collectively, the Predecessor). The selected historical consolidated statement of operations data, balance sheet data and other financial data for the fiscal years ended December 31, 2008, 2007, 2006 and 2005 and for the two months ended December 31, 2004 were derived from the Successor s audited consolidated financial statements and related notes. The selected historical combined consolidated statement of operations data, balance sheet data and other financial data for the ten months ended October 31, 2004 were derived from the Predecessor s audited combined consolidated financial statements and related notes. The historical results are not necessarily indicative of the results to be expected in any future period.

All actual common share and per share data have been adjusted to retroactively reflect the 101.5052-to-1 stock split that occurred on October 5, 2005.

	Successor					Predecessor
	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005	Two Months Ended December 31, 2004	Ten Months Ended October 31, 2004
Statement of Operations Data:						
Leasing revenues	$ 319,292	$ 286,273	$ 273,157	$ 287,218	$ 48,365	$ 242,963
Equipment trading revenue	95,394	49,214	23,665	24,244	1,713	9,641
Management fee income	3,136	5,475	6,454	6,482	1,071	6,046
Other revenues	2,170	2,303	2,301	2,383	313	2,858
Total revenues	419,992	343,265	305,577	320,327	51,462	261,508
Equipment trading expenses	84,216	43,920	21,863	21,715	1,503	8,573
Direct operating expenses	28,678	28,644	25,935	27,773	5,474	26,531
Administrative expenses	46,154	39,843	36,950	39,428	6,315	28,339
Depreciation and amortization	110,450	101,670	103,849	115,138	19,769	119,449
Provision (reversal) for doubtful accounts	4,446	700	(526)	559	225	300
Net (gain) loss on sale of leasing equipment	(23,534)	(12,119)	(6,242)	(9,665)	(126)	3,325
Net (gain) on sale of container portfolios	(2,789)					
Write-off of deferred financing costs(1)	250	204	2,367	43,503		
	64,983	52,129	47,578	72,379	13,185	22,181

Interest and debt expense(2)						
(Gain) on debt extinguishment(3)	(23,772)					
Unrealized loss (gain) on interest rate swaps(4)	76,047	27,883	8,282	(12,499)	(2,432)	
Management fees and other Parent Company charges(5)				4,878		28,360
Total expenses	365,129	282,874	240,056	303,209	43,913	237,058
Income before income taxes	54,863	60,391	65,521	17,118	7,549	24,450
Income tax expense	19,067	21,600	23,388	7,446	2,680	8,926
Net income	35,796	38,791	42,133	9,672	4,869	$ 15,524
Preferred stock dividends and accretion to redemption value				(19,868)	(8,410)	
Net income (loss) applicable to common stockholders	$ 35,796	$ 38,791	$ 42,133	$ (10,196)	$ (3,541)	
Earnings (Loss) Per Share Data:						
Basic income (loss) per share applicable to common stockholders	$ 1.10	$ 1.17	$ 1.28	$ (0.68)	$ (0.35)	N/A
Diluted income (loss) per share applicable to common stockholders	$ 1.09	$ 1.16	$ 1.26	$ (0.68)	$ (0.35)	N/A
Weighted average common shares outstanding:						N/A
Basic	32,572,901	33,183,252	32,987,077	14,912,242	10,150,506	N/A
Diluted	32,693,320	33,369,958	33,430,438	14,912,242	10,150,506	N/A
Cash dividends paid per common share	$ 1.61	$ 1.43	$ 0.45			

(1) Write-off of deferred financing costs in 2005 of $43.5 million was due to refinancing and repayment of various debt facilities in 2005.

Table of Contents

(2) Interest and debt expense in 2005 of $72.4 million was the result of changes in our capital structure resulting from the Acquisition, which increased debt levels and effective interest rates.

(3) Gain on debt extinguishment of $23.8 million for the year ended December 31, 2008 was due to the repurchase of a portion of the Series 2006-1 Term Notes.

(4) Unrealized gains and losses on interest rate swaps are primarily due to changes in interest rates. The swaps were designated as hedges during the period from November 2005 to April 2006. For all other periods, changes in fair value of the swaps were recorded to the statement of operations.

(5) Management fees of $4.9 million in 2005 payable pursuant to certain management agreements were terminated upon completion of the initial public offering in October 2005. Parent Company charges of $28.4 million in 2004 consisted primarily of long-term incentive and termination payments that were triggered by the sale of TAL and TAL s sister divisions in 2004.

	Successor					Predecessor
	Year Ended December 31, 2008	**Year Ended December 31, 2007**	**Year Ended December 31, 2006**	**Year Ended December 31, 2005**	**Two Months Ended December 31, 2004**	**Ten Months Ended October 31, 2004**
Balance Sheet Data (end of period):						
Cash and cash equivalents (including restricted cash)	$ 56,958	$ 70,695	$ 58,167	$ 27,259	$ 16,424	
Accounts receivable, net	42,335	41,637	39,318	36,470	35,014	
Revenue earning assets, net	1,764,522	1,500,056	1,253,877	1,135,026	1,128,263	
Total assets	1,955,498	1,705,887	1,455,663	1,304,268	1,319,639	
Total debt	1,351,036	1,174,654	958,317	872,627	1,072,000	
Redeemable preferred stock					203,738	
Redeemable common stock					3	
Stockholders equity (deficit)/ owners net investment	364,471	393,477	398,750	379,967	(3,427)	
Other Financial Data:						
Capital expenditures	$ 492,635	$ 392,883	$ 253,340	$ 186,133	$ 29,775	$ 261,183
Proceeds from sale of equipment leasing fleet, net of selling costs	83,956	63,006	58,462	90,481	9,721	46,898

Selected Fleet Data(1):						
Dry container units(2)	640,838	576,887	547,172	523,533	538,390	540,428
Refrigerated container units(2)	37,740	37,511	35,038	35,631	35,851	35,706
Special container units(2)	50,893	45,668	42,183	43,414	46,797	47,363
Trader(2)	16,735	14,583	8,815	10,123	5,531	5,199
Chassis(2)	8,796	7,955	6,579	1,210		
Tank container units(2)	1,319	110				
Total container units/chassis(2)	756,321	682,714	639,787	613,911	626,569	628,696
Total containers/chassis in TEU(2)	1,224,452	1,111,164	1,037,323	988,295	1,002,391	1,002,469
Average utilization%	91.1%	91.3%	90.8%	90.7%	92.8%	92.5%

(1) Includes our operating fleet (which is comprised of our owned and managed fleet) plus certain other units including finance leases.

(2) Calculated as of the end of the relevant period.

Table of Contents

ITEM 7: MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under Risk Factors and Cautionary Note Regarding Forward-Looking Statements as discussed elsewhere in this Form 10-K. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Our Company

We are one of the world s largest and oldest lessors of intermodal containers and chassis. Intermodal containers are large, standardized steel boxes used to transport freight by ship, rail or truck. Because of the handling efficiencies they provide, intermodal containers are the primary means by which many goods and materials are shipped internationally. Chassis are used for the transportation of containers domestically.

We operate our business in one industry, intermodal transportation equipment, and have two business segments:

Equipment leasing we own, lease and ultimately dispose of containers and chassis from our lease fleet, as well as manage leasing activities for containers owned by third parties.

Equipment trading we purchase containers from shipping line customers, and other sellers of containers, and sell these containers to container traders and users of containers for storage, one-way shipment or other uses.

Operations

Our consolidated operations include the acquisition, leasing, re-leasing and subsequent sale of multiple types of intermodal containers and chassis. As of December 31, 2008, our total fleet consisted of 756,321 containers and chassis, including 33,539 containers under management for third parties, representing 1,224,452 twenty-foot equivalent units (TEU). We have an extensive global presence, offering leasing services through 20 offices in 11 countries and 185 third party container depot facilities in 37 countries as of December 31, 2008. Our customers are among the world s largest shipping lines and include, among others, APL-NOL, CMA CGM, NYK Line, Mediterranean Shipping Company and Maersk Line. For the year ended December 31, 2008, our twenty largest customers accounted for 76% of our leasing revenue, our five largest customers accounted for 48% of our leasing revenues, and our largest customer accounted for 15% of our leasing revenues.

We lease three principal types of equipment: (1) dry freight containers, which are used for general cargo such as manufactured component parts, consumer staples, electronics and apparel, (2) refrigerated containers, which are used for perishable items such as fresh and frozen foods, and (3) special containers, which are used for heavy and oversized cargo such as marble slabs, building products and machinery. We also lease chassis, which are used for the transportation of containers domestically via rail and roads, and tank containers, which are used to transport bulk liquid products such as chemicals. We also finance port equipment, which includes container cranes, reach stackers and other related equipment. We believe that these additional equipment types represent natural extensions for our business.

As of December 31, 2008, dry, refrigerated and special containers represented approximately 85%, 5% and 7% of our total fleet on a unit basis, respectively. Our chassis equipment, which was first purchased in the fourth quarter of 2005, represented 1% of our fleet on a unit basis as of December 31, 2008. Our Equipment trading fleet represents approximately 2% of our total fleet.

For the fiscal year 2008, dry, refrigerated and special containers represented approximately 60%, 26% and 12% of our leasing revenues, respectively. Our chassis represented approximately 2% of our leasing revenues during 2008.

Table of Contents

Our in-house equipment sales group manages the sale process for our used containers and chassis from our equipment leasing fleet and buys and sells containers and chassis acquired from third parties.

The following tables provide the composition of our equipment fleet as of the dates indicated below (in both units and TEU s):

Equipment Fleet in Units

	December 31, 2008			December 31, 2007			December 31, 2006		
	Owned	Managed	Total	Owned	Managed*	Total	Owned	Managed	Total
	610,759	30,079	640,838	549,800	27,087	576,887	492,497	54,675	547,17
rigerated	37,119	621	37,740	36,650	861	37,511	33,990	1,048	35,03
cial	48,054	2,839	50,893	42,049	3,619	45,668	27,418	14,765	42,18
k	1,319		1,319	110		110			
ssis	8,796		8,796	7,955		7,955	6,579		6,57
ipment ng fleet	706,047	33,539	739,586	636,564	31,567	668,131	560,484	70,488	630,97
ipment ing fleet	16,735		16,735	14,583		14,583	8,815		8,81
l	722,782	33,539	756,321	651,147	31,567	682,714	569,299	70,488	639,78
centage	95.6%	4.4%	100.0%	95.4%	4.6%	100.0%	89.0%	11.0%	100

Equipment Fleet in TEU s

	December 31, 2008			December 31, 2007			December 31, 2006		
	Owned	Managed	Total	Owned	Managed*	Total	Owned	Managed	To
	968,772	53,692	1,022,464	886,816	47,315	934,131	787,687	93,525	8
ated	68,270	1,022	69,292	66,625	1,436	68,061	61,208	1,652	
	82,322	4,624	86,946	69,544	6,023	75,567	43,449	24,495	
	1,369		1,369	110		110			
	15,645		15,645	13,924		13,924	11,508		
nt eet	1,136,378	59,338	1,195,716	1,037,019	54,774	1,091,793	903,852	119,672	1,0
nt eet	28,736		28,736	19,371		19,371	13,799		
	1,165,114	59,338	1,224,452	1,056,390	54,774	1,111,164	917,651	119,672	1,0
ge	95.2%	4.8%	100.0%	95.1%	4.9%	100.0%	88.5%	11.5%	

* The decrease in our managed equipment fleet from December 31, 2006 to December 31, 2007 is due primarily to our purchase of approximately 34,000 units, or approximately 57,000 TEU of managed containers from the third party owner in October 2007 which are included in our owned equipment fleet as of December 31, 2007.

We generally lease our equipment on a per diem basis to our customers under three types of leases: long-term leases, finance leases and service leases. Long-term leases, typically with initial contractual terms of three to eight years, provide us with stable cash flow and low transaction costs by requiring customers to maintain specific units on-hire for the duration of the lease. Finance leases, which are typically structured as full payout leases, provide for a predictable recurring revenue stream with the lowest daily cost to the customer because customers are generally required to retain the equipment for the duration of its useful life. Service leases command a premium per diem rate in exchange for providing customers with a greater level of operational flexibility by allowing the pick-up and drop-off of units during the lease term. We also have expired long-term leases whose fixed terms have ended but for which the related units remain on-hire and for which we continue to receive rental payments pursuant to the terms of the initial contract. Some leases have contractual terms that have features reflective of both long-term and service leases. We classify such leases as either long-term or service leases, depending upon which features are more predominant.

As of December 31, 2008, approximately 90% of our containers and chassis were on-hire to customers, with approximately 54% of our equipment on long-term leases, approximately 9% on finance leases, approximately 18% on service leases and approximately 9% on long-term leases whose fixed terms have expired. In addition, approximately 7% of our fleet was available for lease and approximately 3% was available for sale.

The following table provides a summary of our lease portfolio, based on units in the total fleet as of the dates indicated below:

Lease Portfolio	December 31, 2008	Sept 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007	December 31, 2006
Long-term leases	54.3%	50.7%	48.7%	48.4%	54.0%	56.7%
Finance leases	8.9	10.4	10.2	9.8	9.9	8.2
Service leases	18.3	20.7	21.6	22.0	21.7	21.9
Expired long-term leases (units on hire)	8.5	10.9	11.2	9.0	6.0	6.7
Total leased	90.0	92.7	91.7	89.2	91.6	93.5
Used units available for lease	4.3	2.0	2.1	2.9	2.8	3.1
New units not yet leased	2.5	3.2	3.9	5.1	3.0	1.3
Available for sale	3.2	2.1	2.3	2.8	2.6	2.1
Total fleet	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Operating Performance

Our profitability is primarily determined by the extent to which our leasing and other revenues exceed our ownership, operating and administrative expenses. Our profitability is also impacted by the gain or loss that we realize on the sale of our used equipment and the net sales margins on our equipment trading activities. Our profitability for the year ended December 31, 2008 was supported by the growth of our container fleet, increased utilization in all of our major product lines, exceptional gains on the sale of our used containers, and strong sales margins from our equipment trading activity. Additionally, we concluded several container portfolio sales for which we realized gains.

Our leasing revenue is primarily driven by our owned fleet size, utilization and average rental rates. Our leasing revenue is also impacted by the mix of leases in our portfolio.

During 2008, our owned container fleet increased 10.3% on a TEU basis to 1.165 million owned TEU. As of December 31, 2008, our revenue earning assets (leasing equipment, net investment in finance leases, and equipment held for sale) totaled approximately $1.8 billion, an increase of approximately $265 million, or 17.6%, over December 31, 2007. Our revenue earning asset growth has been higher on a dollar basis than our fleet growth has been on a TEU basis due to our large purchases of refrigerated containers, special containers and tank containers, which are more expensive than dry containers on a per TEU basis. In addition, the growth of our fleet has decreased the average age and increased the average net book value of the units in our owned fleet.

In 2008, excluding equipment trading units purchased for resale, we purchased approximately 195,000 TEU of new equipment for approximately $490.0 million including a purchase lease-back transaction with one of our largest customers in the fourth quarter of 2008. In this transaction, we purchased approximately 53,000 TEU of in-service equipment for approximately $80.0 million and leased the equipment back to the customer on long-term lease.

Leasing demand for containers and the utilization of our fleet for most of 2008 was supported by continued worldwide containerized trade growth and reduced direct container purchases by our shipping line customers due to the high cost of new containers and the increased scarcity of capital.

Looking forward, we expect that our purchases of new leasing equipment will decrease significantly in 2009. Global containerized trade growth turned negative in the fourth quarter of 2008, and our customers are projecting that trade volumes will be exceptionally weak in 2009, especially for dry containers. As a result, we expect new dry container purchases for shipping lines and leasing companies to be unusually low in 2009. However, we expect to continue to invest in new refrigerated and special containers as conditions warrant and we will seek further opportunities for purchase lease-back transactions for containers currently in service with our shipping line customers.

In 2008 we sold approximately 78,000 TEU of our older containers, excluding containers purchased for resale. Over the last three years, our disposal of older containers has averaged approximately 70,000 TEU per year, which represents an average of approximately 7% of our equipment leasing fleet at the beginning of each year. This 7% annual disposal rate is close to our theoretical steady-state disposal rate given the 12-14 year expected useful life of our containers. However, based on the age profile of our existing fleet, scheduled lease expirations and the prospects for decreased leasing demand due to reduced trade growth, we expect our rate of disposals will increase in 2009 and remain elevated before decreasing several years thereafter. A disproportionately large share of our containers were produced before 1997 since we invested in a relatively small number of containers from 1997 through 2003. We expect that we will sell most of the pre-1997 units over the next several years. During years of above-average disposals, our TEU growth rate may be constrained if we are unable to generate a sufficient number of attractive lease transactions for an expanded level of new container purchases.

The following table sets forth our average equipment fleet utilization for the periods indicated below:

Average Utilization(1)	Year Ended December 31,	Quarter Ended December 31,	Quarter Ended September 30,	Quarter Ended June 30,	Quarter Ended March 31,
2008	91.1%	91.6%	92.0%	90.7%	90.1%
2007	91.3%	91.9%	91.0%	90.3%	92.1%
2006	90.8%	93.0%	91.0%	89.8%	88.7%

(1) Utilization is computed by dividing our total units on lease by the total units in our fleet (which includes leased units, new and used units available for lease and units available for sale).

The following tables set forth our ending fleet utilization for the dates indicated below:

Ending Utilization	December 31,	September 30,	June 30,	March 31,
2008	90.0%	92.7%	91.7%	89.2%
2007	91.6%	92.4%	89.7%	90.8%
2006	93.5%	92.5%	90.9%	88.7%

Ending Utilization (Excluding New Units not yet Leased)	December 31,	September 30,	June 30,	March 31,
2008	92.4%	95.8%	95.4%	94.0%
2007	94.4%	95.5%	94.8%	93.9%
2006	95.0%	94.2%	92.7%	90.9%

Utilization of our container fleet was relatively high throughout 2008. Our average utilization decreased 0.2% from 91.3% for the year ended December 31, 2007 to 91.1% for the year ended December 31, 2008, while utilization of our containers excluding off-hire new units was fairly steady and quite strong throughout 2008 in the range of 93% to 96%. Utilization for our dry containers was supported during the first three quarters of 2008 by strong cargo growth, limited direct purchasing of new containers by our shipping line customers, a low volume of drop-offs, enhanced logistical protections in our lease contracts, high prices for new containers and the strong used container sale market. Our utilization was also supported by the large percentage of our dry containers on long-term lease and finance lease.

However, in the fourth quarter of 2008, our utilization began to decrease, particularly for dry containers. In the fourth quarter, global trade growth turned significantly negative causing our customers to significantly increase their rate of dry container drop-offs and significantly reduced their rate of container pick-ups. Our dry container utilization typically decreases in the fourth quarter due to the end of the summer peak season, but the decrease in the fourth quarter of 2008 was larger than usual. We expect dry container off-hires to remain high and dry container pick-ups low, and expect utilization to continue to decrease as long as containerized trade growth remains unusually weak.

Leasing demand for our refrigerated containers was relatively strong, though seasonal, in 2008. The utilization of our refrigerated containers does not heavily influence our overall utilization since they represent only approximately 5% of the units in our fleet. However, these container types are significantly more expensive than dry containers, generate higher per diem lease rates and currently represent approximately 26% of our leasing revenue. We achieved solid on-hire and utilization growth early in the year during the 2007/2008 winter peak season and late in the year at the start of the 2008/2009 winter peak season. Demand during the typically slow summer season for refrigerated containers was light. While we expect that demand for refrigerated containers will be negatively impacted by the global recession in 2009, the impact on refrigerated containers has not yet been as severe as it has been for dry containers.

Leasing demand and utilization for our special containers was strong throughout 2008, while leasing demand for chassis was weak during most of the year due to the combination of chassis operating efficiency gains through a greater use of chassis pools and a slowdown in the growth of the Asia to North America trade. We expect the market conditions for chassis to remain weak in 2009.

Average lease rates for our dry container product line in 2008 stayed relatively flat compared to the average lease rates in 2007. We experienced an increase in dry container lease rates during the third and fourth quarters of 2008, relative to the average levels during the same periods in 2007. New dry container prices rose during the first nine months of 2008 to a peak of $2,600 for a 20 dry container, and then declined in the last three months of 2008 to under $2,000 due to decreasing steel prices in China. While we do not expect to purchase large numbers of new dry containers during the first two quarters of 2009, it is likely that our per diem rates will be negatively impacted by lower steel and new containers prices, a build-up of idle shipping line and leasing company containers in Asia, and aggressive leasing company competition due to the sharp economic contraction and the decrease in trade volumes the market has been experiencing since November 2008.

Average lease rates for refrigerated containers in 2008 decreased by 1.3% compared to 2007, and declined slightly from the third to fourth quarters of 2008. Market leasing rates for new refrigerated containers are still below our portfolio average rates.

Average lease rates for special containers increased 2.6% during 2008 compared to 2007, reflecting increased prices for special containers and strong leasing demand.

During the third quarter of 2008, we concluded the sale of several small container portfolios. The containers included in these portfolio sales were generally younger containers on long-term leases with our shipping lines customers, and we will continue to be involved with and receive fees for collections and other management services. These portfolios sales were mainly undertaken to expand our network of third-party container investors, diversify our funding sources and manage our customer concentrations. We received total proceeds of $40.5 million for the portfolio sales and recorded gains of approximately $2.8 million.

For the year ended December 31, 2008, we recognized a $23.5 million gain on the sale of our used containers compared to a $12.1 million gain for the year ended December 31, 2007. The improvement compared to last year mainly resulted from higher selling prices for containers sold in 2008, as well as an increase in sales volume. For most of 2008, selling prices for used containers were supported by high prices for new containers and high utilization of leasing company and shipping line containers. High utilization of containers constrains the supply of used containers available for sale. The average container sale age for TAL increased to 14.1 years in 2008 from 13.6 years in 2007 and 13.2 years in 2006. Older units generally have a lower net book value and result in higher disposal gains since used container sale prices are not highly affected by the age of the container.

Market conditions for used equipment sales in 2009 look substantially worse than they were in 2008 due to the recent decrease in new container prices and the rapid increase in the number of idle containers worldwide. Our used container selling prices and disposal gains could decrease significantly in 2009 if current market conditions persist.

During 2008, we recognized a net sales margin of $11.2 million on the sale of equipment purchased for resale compared to $5.3 million of net sales margin for 2007. In 2008, we sold higher volumes and achieved higher per unit selling margins. Unit sale margins in 2008 were helped by a steady increase in used container sale prices during the year. It typically takes us two to three months to sell containers purchased for resale, and when used container sale prices are increasing, our selling margin is boosted by the increase in market prices during our holding period. In addition, the strong sale market for used containers and the upward trend in used container selling prices allowed us to be aggressive in the volume of containers purchased for resale. We expect the volume of containers purchased for resale to decrease in 2009.

Our ownership expenses, principally depreciation and interest expense increased by $21.6 million, or 14.1% for the year ended December 31, 2008, slightly less than the 17.6% increase in the dollar value of our revenue earning assets over the same time. Our depreciation expense increased 8.6%, substantially less than our revenue earning asset growth. Growth in depreciation expense has been less than our asset growth due to the increasing average sale age of our containers and the resulting increase in the portion of our containers that have become fully depreciated. Interest expense increased 24.7% in the year ended December 31, 2008, compared to the year ended December 31, 2007. Interest expense increased more rapidly than our revenue earning assets due to higher average daily debt balances in 2008 versus 2007 resulting from large equipment payments in the latter half of 2007 and the first half of 2008.

During the fourth quarter of 2008, we repurchased approximately $48.2 million of our Series 2006-1 Term Notes and recorded a gain on debt extinguishment of $23.8 million, net of the write-off of deferred financing costs of $0.3 million.

Our provision for doubtful accounts was $4.4 million for the year ended December 31, 2008, up from $0.7 million in the year ended December 31, 2007. The increase in the provision for doubtful accounts in 2008 primarily relates to a partial reserve of $2.7 million against a finance lease for one of our customers. We also recorded a $1.4 million provision on the remaining leases in our finance lease portfolio.

Most of our shipping line customers have reported significant decreases in profitability in the second half of 2008, and many are expecting to incur losses in at least the first few quarters of 2009. At least eight small shipping lines ceased operation in 2008, and we had exposure to two of these lines. In general, we remain concerned that we may continue to see an increase in the number and size of customer defaults due to the deteriorating financial performances of our shipping line customers combined with the constrained capital markets that could make it difficult for our customers to finance any operating losses they may incur as well as their vessel orders and other expansion commitments. We have not yet experienced a general deterioration of our customers lease payment performance, though we continue to actively review our portfolio to make sure we identify potential problem accounts as early as possible and we continue to be more selective in pursuing new business opportunities.

Dividends

We paid the following quarterly dividends during the years ended December 31, 2008 and 2007 on our issued and outstanding common stock:

Record Date	Payment Date	Aggregate Payment		Per Share Payment	
November 19, 2008	December 10, 2008	$	13.4 million	$	0.4125
August 21, 2008	September 12, 2008	$	13.5 million	$	0.4125
May 22, 2008	June 12, 2008	$	13.4 million	$	0.4125
March 20, 2008	April 10, 2008	$	12.2 million	$	0.3750
November 6, 2007	December 10, 2007	$	12.5 million	$	0.3750

August 15, 2007	August 29, 2007	$	12.5 million	$	0.3750
May 17, 2007	May 30, 2007	$	12.5 million	$	0.3750
February 23, 2007	March 9, 2007	$	10.0 million	$	0.3000

Table of Contents

Treasury Stock

We repurchased 643,200 shares of our outstanding common stock in the open market during 2008 at a total cost of approximately $10.9 million.

We repurchased 276,029 of our common shares in the open market during 2007 at a total cost of approximately $6.3 million.

We repurchased 136,250 of our common shares in the open market during 2006 at a total cost of approximately $2.9 million.

Results of Operations

The following table summarizes our results of operations for the three years ended December 31, 2008, 2007 and 2006 in dollars (in thousands) and as a percentage of total revenues.

	Year Ended December 31,					
	2008		2007		2006	
	Dollars	Percent	Dollars	Percent	Dollars	Percent
Leasing revenues	$ 319,292	76.0%	$ 286,273	83.4%	$ 273,157	89.4%
Equipment trading revenue	95,394	22.7	49,214	14.3	23,665	7.7
Management fee income	3,136	0.8	5,475	1.6	6,454	2.1
Other revenues	2,170	0.5	2,303	0.7	2,301	0.8
Total revenues	419,992	100.0	343,265	100.0	305,577	100.0
Equipment trading expenses	84,216	20.1	43,920	12.8	21,863	7.2
Direct operating expenses	28,678	6.8	28,644	8.4	25,935	8.4
Administrative expenses	46,154	11.0	39,843	11.6	36,950	12.1
Depreciation and amortization	110,450	26.3	101,670	29.6	103,849	34.0
Provision (reversal) for doubtful accounts	4,446	1.1	700	0.2	(526)	(0.2)
Net (gain) on sale of leasing equipment	(23,534)	(5.6)	(12,119)	(3.6)	(6,242)	(2.0)
Net (gain) on sale of container portfolios	(2,789)	(0.7)				
Write-off of deferred financing costs	250	0.1	204	0.1	2,367	0.8
Interest and debt expense	64,983	15.4	52,129	15.2	47,578	15.6
(Gain) on debt extinguishment	(23,772)	(5.7)				
Unrealized loss on interest rate swaps	76,047	18.1	27,883	8.1	8,282	2.7
Total expenses	365,129	86.9	282,874	82.4	240,056	78.6
Income before income taxes	54,863	13.1	60,391	17.6	65,521	21.4
Income tax expense	19,067	4.5	21,600	6.3	23,388	7.6

Net income	$	35,796	8.6%	$	38,791	11.3%	$	42,133	13.8%

Comparison of Year Ended December 31, 2008 to Year Ended December 31, 2007

Leasing revenues. The principal components of our leasing revenues are presented in the following table. Per diem revenue represents revenue earned under operating lease contracts; fee and ancillary lease revenue represent fees billed for the pick-up and drop-off of containers in certain geographic locations and billings of certain reimbursable operating costs such as repair and handling expenses; and finance lease revenue represents interest income earned under finance lease contracts.

	Year Ended December 31, 2008	2007
	(Dollars in thousands)	
Leasing revenues:		
Operating lease revenues:		
Per diem revenue	$ 266,978	$ 240,409
Fee and ancillary lease revenue	31,935	27,596
Total operating lease revenue	298,913	268,005
Finance lease revenues	20,379	18,268
Total leasing revenues	$ 319,292	$ 286,273

Total leasing revenues were $319.3 million for 2008, compared to $286.3 million for 2007, an increase of $33.0 million, or 11.5%.

Per diem revenue increased by $26.6 million from 2007 primarily due to an increase in fleet size, partially offset by a decrease in per diem rates. Below outlines the primary reasons for the increase:

$24.5 million increase due to an increase in fleet size, reflecting a larger number of dry, special and refrigerated containers, chassis and tanks in our fleet compared to the prior year;

$1.8 million increase due to higher utilization from special and refrigerated containers and chassis compared to the prior year; and

$0.5 million decrease due to lower per diem rates primarily for dry and refrigerated containers.

Fee and ancillary lease revenue increased by $4.3 million as compared to the prior year primarily due to an increase in drop off volume.

Finance lease revenue increased by $2.1 million in 2008, primarily due to an increase in the average size of our finance lease portfolio.

Equipment trading activities. Equipment trading revenue represents the proceeds on the sale of equipment purchased for resale. Equipment trading expenses represent the cost of equipment sold, including costs associated with the acquisition, maintenance and selling of trading inventory, such as positioning, repairs, handling and storage costs, and estimated direct selling and administrative costs.

Year Ended
December 31,

	2008	2007
	(Dollars in thousands)	
Equipment trading revenues	$ 95,394	$ 49,214
Equipment trading expenses	(84,216)	(43,920)
Equipment trading margin	$ 11,178	$ 5,294

The equipment trading margin increased $5.9 million for 2008 compared to 2007. The trading margin increased by $7.2 million due to a higher volume of units sold and by $1.8 million due to a higher per unit trading margin. These increases were partially offset by an increase of $3.1 million in selling costs and administrative expenses related to the volume of units sold. Equipment trading margins were higher in 2008 partially due to the upward trend in used container selling prices in 2008. We typically experience a lag of several months between the time that we buy and sell used containers, so that we benefit from inventory profits in addition to our target sales margins when prices are increasing.

Table of Contents

Direct operating expenses. Direct operating expenses primarily consist of our costs to repair equipment returned off lease, to store the equipment when it is not on lease, and to reposition equipment that has been returned to locations with weak leasing demand.

Direct operating expenses were $28.7 million for 2008, compared to $28.6 million for 2007, an increase of $0.1 million. Below outlines the primary reasons for the increase:

handling costs increased by $0.9 million due to greater on hire and off hire activity for our equipment;

surveying costs increased by $0.5 million due to an increase in our fleet size;

other operating costs increased by $0.4 million primarily due to an increase in equipment loss reserves for equipment on hire to non-performing customers;

positioning costs decreased by $0.9 million due to a lower volume of dry and refrigerated containers moved; and

repair costs decreased by $0.7 million due to a lower repair volume, primarily for our dry and refrigerated containers.

Administrative expenses. Administrative expenses were $46.2 million for 2008, compared to $39.8 million for 2007, an increase of $6.4 million, or 16.1%. This increase was mainly due to higher employee incentive and compensation costs of $4.2 million related to our high level of profitability growth in 2008 and $1.8 million in foreign exchanges losses in 2008 versus foreign exchange gains in 2007.

Depreciation and amortization. Depreciation and amortization was $110.5 million for 2008, compared to $101.7 million for 2007, an increase of $8.8 million, or 8.6%. Depreciation expense increased by $12.1 million due to new equipment added to the fleet and placed in service in 2008, and increased by $5.6 million due to the purchase of 57,000 TEU of older managed units in the fourth quarter of 2007. The increase in depreciation expense in 2008 was partially offset by a decrease of $9.0 million due to certain equipment becoming fully depreciated in the fourth quarter of 2007 and 2008.

Provision (reversal) for doubtful accounts. There was a provision for doubtful accounts for $4.4 million for 2008, compared to $0.7 million for 2007, an increase of $3.7 million. The increase was primarily due to a $2.7 million reserve established for amounts estimated to be uncollectible under a finance lease receivable for one of our customers, as well as an additional provision of $1.4 million against our finance lease portfolio for expected uncollectible accounts.

Net (gain) on sale of leasing equipment. Gain on sale of equipment was $23.5 million for 2008, compared to a gain of $12.1 million for 2007, an increase of $11.4 million. Gain on sale of equipment increased by $8.5 million due to higher selling prices for used containers, and increased by $2.9 million primarily due to higher volume of units sold.

Net (gain) on sale of container portfolios. Gain on the sale of container portfolios was $2.8 million for 2008. There were no sales of container portfolios for the year ended December 31, 2007. In the third quarter of 2008 we sold several container portfolios for total proceeds of $40.5 million.

Interest and debt expense. Interest and debt expense was $65.0 million for 2008, compared to $52.1 million for 2007, an increase of $12.9 million. The increase was primarily due to an increase in the average debt balance driven by the increase in the average size of our fleet. Our average effective interest rate was slightly lower during 2008 as compared to 2007.

(Gain) on debt extinguishment. Gain on debt extinguishment of $23.8 million (net of the write-off of deferred financing costs of $0.3 million) for 2008 was due to the repurchase of a portion of the Series 2006-1 Term Notes. There were no gains on debt extinguishment for 2007.

Unrealized loss on interest rate swaps. Unrealized loss on interest rate swaps was $76.0 million for 2008, compared to $27.9 million for 2007. The net fair value of the interest rate swap contracts was a net liability of $95.2 million at December 31, 2008, compared to net liability of $17.9 million at December 31, 2007, with the decrease in fair value due to the decrease in long-term interest rates during 2008.

Table of Contents

Income tax expense. Income tax expense was $19.1 million for 2008, compared to $21.6 million for 2007, and the effective tax rate was 34.8% in 2008 compared to 35.8% in 2007. The decrease in our effective rate is primarily due to a decrease in our state tax rate.

While we record income tax expense, we do not currently pay any significant federal, state or foreign income taxes due to the availability of accelerated tax depreciation for our equipment. The vast majority of the expense recorded for income taxes is recorded as a deferred income tax liability on the balance sheet. We expect the deferred income tax liability balance to grow for the foreseeable future.

Comparison of Year Ended December 31, 2007 to Year Ended December 31, 2006

Leasing revenues. The principal components of our leasing revenues are presented in the following table. Per diem revenue represents revenue earned under operating lease contracts; fee and ancillary lease revenue represent fees billed for the pick-up and drop-off of containers in certain geographic locations and billings of certain reimbursable operating costs such as repair and handling expenses; and finance lease revenue represents interest income earned under finance lease contracts.

	Year Ended December 31,	
	2007	2006
	(Dollars in thousands)	
Leasing revenues:		
Operating lease revenues:		
Per diem revenue	$ 240,409	$ 230,217
Fee and ancillary lease revenue	27,596	30,518
Total operating lease revenue	268,005	260,735
Finance lease revenues	18,268	12,422
Total leasing revenues	$ 286,273	$ 273,157

Total leasing revenues were $286.3 million for 2007, compared to $273.2 million for 2006, an increase of $13.1 million, or 4.8%.

Per diem revenue increased by $10.2 million from 2006 primarily due to an increase in fleet size, partially offset by a decrease in per diem rates. Below outlines the primary reasons for the increase:

$9.1 million increase due to an increase in fleet size, reflecting a larger number of dry and special containers and chassis in our fleet compared to the prior year;

$2.5 million increase due to higher utilization from dry and refrigerated containers compared to the prior year;

$3.5 million increase due to the purchase of 57,000 TEU of older managed equipment, which had the effect of increasing our leasing revenue, operating expenses, depreciation and interest expenses, and decreasing our management fees; and

$5.5 million decrease due to lower per diem rates primarily for dry and refrigerated containers.

Fee and ancillary lease revenue decreased by $2.9 million as compared to the prior year primarily due to a reduction in drop off volume.

Finance lease revenue increased by $5.8 million in 2007, primarily due to an increase in the size of our finance lease portfolio. While our finance lease revenue increased, the increase in the portion of our units on finance leases compared to the prior year resulted in a reduction in our overall leasing revenue compared to the amount we would have recognized if the units were placed on operating leases. Under a finance lease, we only recognize interest income as revenue while the principal component of the lease payment reduces the net finance lease receivable on the balance sheet. Under an operating lease we recognize the entire monthly billing as revenue, and reduce the net book value of the underlying equipment through depreciation expense. For

2007, our finance lease billings exceeded our recognized finance lease revenue by $24.8 million. For 2006, our finance lease billings exceeded our recognized finance lease revenue by $15.2 million.

Equipment trading activities. Equipment trading revenue represents the proceeds on the sale of equipment purchased for resale. Equipment trading expenses represents the cost of equipment sold as well as related selling costs.

	Year Ended December 31, 2007	Year Ended December 31, 2006
	(Dollars in thousands)	
Equipment trading revenues	$ 49,214	$ 23,665
Equipment trading expenses	(43,920)	(21,863)
Equipment trading margin	$ 5,294	$ 1,802

Equipment trading revenues and equipment trading expenses increased significantly for 2007 compared to 2006 primarily due to an increase in the number of units purchased and sold. The equipment trading margin, the difference between equipment trading revenues and expenses, increased $3.5 million for 2007 compared to 2006. The trading margin increased by $2.9 million due to a higher volume of units sold and by $1.6 million due to a higher per unit trading margin. These increases were partially offset by an increase of allocated administrative expenses of $1.0 million related to an increase in the volume of units sold.

Direct operating expenses. Direct operating expenses primarily consist of our costs to repair equipment returned off lease, to store the equipment when it is not on lease, and to reposition equipment that has been returned to locations with weak leasing demand.

Direct operating expenses were $28.6 million for 2007, compared to $25.9 million for 2006, an increase of $2.7 million or 10.4%. Below outlines the primary reasons for the increase:

positioning costs increased by $2.0 million due to a higher volume of dry containers moved;

repair costs increased by $2.1 million due to a higher cost per unit repaired, primarily for our refrigerated containers, partially offset by lower repair volume;

other operating costs increased by $1.4 million primarily due to an increase in equipment loss reserves for equipment on hire to non-performing customers; and

storage and handling costs decreased by $2.4 million due to higher utilization of our equipment compared to the prior year.

Administrative expenses. Administrative expenses were $39.8 million for 2007, compared to $37.0 million for 2006, an increase of $2.8 million or 7.6%. This increase was mainly due to higher employee incentive compensation costs of $2.9 million related to our high level of profitability growth in 2007, partially offset by $0.4 million in lower professional fees in 2007 primarily due to Sarbanes-Oxley consulting fees incurred in 2006.

Depreciation and amortization. Depreciation and amortization was $101.7 million for 2007, compared to $103.8 million for 2006, a decrease of $2.1 million or 2.0%. Depreciation expense decreased by $8.1 million due to certain equipment becoming fully depreciated in the fourth quarter of 2006, and decreased by $3.8 million from the delay in the start date of depreciation for units purchased in 2007. In past years, depreciation on new units started after our inspection and acceptance of units at the manufacturer. Beginning in 2007, new units start depreciation the earlier of when they are placed in service or January 1 of the year following the year of purchase. These decreases were partially offset by $9.8 million of increased depreciation expense for new equipment added to the fleet and placed in service in 2007, including the purchase of 57,000 TEU of older managed units in the fourth quarter of 2007.

Provision (reversal) for doubtful accounts. There was a provision for doubtful accounts for $0.7 million for 2007, compared to a (reversal) of $(0.5) million for 2006. In 2006, we recorded a benefit for the reversal of an allowance upon collecting a past due repair receivable from one of our large customers. In 2007, we recorded a reserve for a past due receivable unlikely to be recovered.

Net (gain) loss on sale of leasing equipment. Gain on sale of equipment was $12.1 million for 2007, compared to a gain of $6.2 million for 2006, an increase of $5.9 million. Gain on sale of equipment increased by $5.4 million due to higher selling prices for used containers, and increased by $0.5 million primarily due to lower impairment charges for units identified for sale.

Write-off of deferred financing costs. Write-off of deferred financing costs was $0.2 million for 2007, compared to $2.4 million for 2006. The current year write-off is the result of the refinancing of the company s senior secured credit facility in August 2007. The prior year write-off is the result of the refinancing of our asset securitization facility in April 2006.

Interest and debt expense. Interest and debt expense was $52.1 million for 2007, compared to $47.6 million for 2006, an increase of $4.5 million. The increase was primarily due to an increase in the average debt balance due to the purchase of additional fleet equipment in 2007, including the purchase of 57,000 TEU of older managed equipment.

Unrealized loss (gain) on interest rate swaps. Unrealized loss on interest rate swaps was $27.9 million for 2007, compared to an unrealized loss of $8.3 million for 2006. The net fair value of the interest rate swap contracts was a net liability of $17.9 million at December 31, 2007, compared to net asset of $11.9 million at December 31, 2006, with the decrease in fair value due to a decrease in interest rates.

Income tax expense. Income tax expense was $21.6 million for 2007, compared to an income tax expense of $23.4 million for 2006, and the effective tax rates for the periods were 35.8% and 35.7%, respectively.

While we record income tax expense, we do not currently pay any significant federal, state or foreign income taxes due to the availability of accelerated tax depreciation for our equipment. The vast majority of the expense recorded for income taxes is recorded as a deferred income tax liability on the balance sheet. We expect the deferred income tax liability balance to grow for the foreseeable future.

Business Segments

We operate our business in one industry, intermodal transportation equipment, and in two business segments, Equipment leasing and Equipment trading.

Equipment leasing

We own, lease and ultimately dispose of containers and chassis from our lease fleet, as well as manage leasing activities for containers owned by third parties. Equipment leasing segment revenues represent leasing revenues from operating and finance leases, fees earned on managed container leasing activities, as well as other revenues. Expenses related to equipment leasing include direct operating expenses, administrative expenses, depreciation expense, and interest expense. The Equipment leasing segment also includes gains and losses on the sale of owned leasing equipment.

Table of Contents

The following table lists selected revenue and expense items for our Equipment leasing segment for the years ended December 31, 2008, 2007 and 2006:

	Year Ended December 31,		
	2008	2007	2006
	(Dollars in thousands)		
Equipment leasing segment:			
Total revenue	$ 324,083	$ 293,062	$ 281,068
Depreciation expense	110,400	101,670	103,849
Interest expense	63,797	51,656	47,339
Net (gain) on sale of leasing equipment	(23,534)	(12,119)	(6,242)
Pre-tax income(1)(2)	98,724	83,753	74,552

(1) Pre-tax income excludes unrealized gains and losses on interest rate swaps, and gain on debt extinguishment.

(2) Pre-tax income for the year ended December 31, 2006 excludes write-off of deferred financing costs of $2,367.

Segment Comparison of Year Ended December 31, 2008 to Year Ended December 31, 2007

Equipment leasing revenue. Total revenue for the Equipment leasing segment was $324.1 million in 2008 compared to $293.1 million in 2007, an increase of $31.0 million, or 10.6%. In 2008, leasing revenue increased by $24.5 million due to a larger fleet size and by $1.8 million due to higher utilization of our leasing equipment. Fee and ancillary lease revenue increased by $4.3 million as compared to the prior year. These increases were partially offset by a $0.5 million reduction in leasing revenue from lower per diem rates.

Equipment leasing pretax income. Pretax income for the Equipment leasing segment was $98.7 million in 2008 compared to $83.8 million in 2007, an increase of $14.9 million, or 17.8%. Equipment leasing revenue increased by $31.0 million in 2008, and the gain on the sale of leasing equipment increased by $11.4 million primarily due to higher selling prices for used containers in 2008 compared to 2007.

The increase in revenue and gain on sale of leasing equipment were partially offset by an $8.7 million increase in depreciation expense, a $12.4 million increase in interest expense, and a $5.6 million increase in administrative expenses.

Segment Comparison of Year Ended December 31, 2007 to Year Ended December 31, 2006

Equipment leasing revenue. Total revenue for the Equipment leasing segment was $293.1 million in 2007 compared to $281.1 million in 2006, an increase of $12.0 million, or 4.3%. In 2007, leasing revenue increased by $12.6 million due to a larger fleet size and by $2.5 million due to higher utilization of our leasing equipment. These increases were partially offset by a $5.5 million reduction in leasing revenue from lower per diem rates.

Equipment leasing pretax income. Pretax income for the Equipment leasing segment was $83.8 million in 2007 compared to $74.6 million in 2006, an increase of $9.2 million, or 12.3%. Equipment leasing revenue increased by $12.0 million in 2007, while our depreciation expense decreased by $2.2 million due to certain equipment becoming fully depreciated in the fourth quarter of 2006 as well as the delay in the start of depreciation for units purchased in 2007. In addition, the gain on the sale of leasing equipment increased by $5.9 million primarily due to higher selling prices for used containers in 2007 compared to 2006. These increases were partially offset by a $2.7 million increase in container operating expenses and a $2.4 million increase in administrative expenses.

Equipment trading

We purchase containers from shipping line customers and other sellers of containers, and resell these containers to container traders and users of containers for storage or one-way shipment. Equipment trading segment revenues represent the proceeds on the sale of containers purchased for resale. Expenses related to equipment trading include the cost of containers purchased for resale that were sold and related selling costs, as well as direct operating expenses, administrative expenses and interest expense.

The following table lists selected revenue and expense items for our Equipment trading segment for the years ended December 31, 2008, 2007 and 2006:

	Year Ended December 31,		
	2008	2007	2006
	(Dollars in thousands)		
Equipment trading segment:			
Equipment trading revenue	$ 95,394	$ 49,214	$ 23,665
Equipment trading expense	(84,216)	(43,920)	(21,863)
Equipment trading margin	11,178	5,294	1,802
Interest expense	1,186	473	239
Pre-tax income(1)	8,414	4,521	1,618

(1) Pre-tax income excludes unrealized gains and losses on interest rate swaps, and gain on debt extinguishment.

Segment Comparison of Year Ended December 31, 2008 to Year Ended December 31, 2007

Equipment trading margin. Equipment trading revenues and Equipment trading expenses increased significantly in 2008 compared to 2007 primarily due to an increase in the number of units purchased and sold. The equipment trading margin, the difference between Equipment trading revenue and expenses, increased $5.9 million in 2008 compared to 2007. The trading margin increased by $7.2 million due to a higher volume of units sold and by $1.8 million due to a higher per unit trading margin. These increases were partially offset by an increase in selling costs and administrative expenses related to the volume of units sold.

Equipment trading pretax income. Pretax income for the Equipment trading segment was $8.4 million in 2008 compared to $4.5 million in 2007, an increase of $3.9 million, or 86.7%. The Equipment trading margin increased by $5.9 million in 2008. The increase in Equipment trading margin was partially offset by a $0.7 million increase in administrative expenses and $0.7 million increase in interest expense. The increase in administrative expenses was primarily due to higher allocated corporate expenses. Corporate expenses are allocated to the equipment trading segment primarily based on the volume of units sold in the equipment trading fleet relative to total units sold from both the equipment trading and equipment leasing fleets.

Segment Comparison of Year Ended December 31, 2007 to Year Ended December 31, 2006

Equipment trading margin. Equipment trading revenues and Equipment trading expenses increased significantly in 2007 compared to 2006 primarily due to an increase in the number of units purchased and sold. The Equipment trading margin, the difference between Equipment trading revenue and expenses, increased $3.5 million in 2007 compared to 2006. The trading margin increased by $2.9 million due to a higher volume of units sold and by $1.6 million due to a higher per unit trading margin. These increases were partially offset by an increase of allocated administrative expenses of $1.0 million related to an increase in the volume of units sold.

Equipment trading pretax income. Pretax income for the Equipment trading segment was $4.5 million in 2007 compared to $1.6 million in 2006, an increase of $2.9 million, or 181%. The Equipment trading margin