CAI International, Inc.
Form 10-K
February 27, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For The Fiscal Year Ended December 31, 2014

or

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

For the Transition Period from to

Commission file number-001-33388

CAI International, Inc.

(Exact name of registrant as specified in its charter)

Delaware	94-3109229
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Steuart Tower
1 Market Plaza, Suite 900 San Francisco, California 94105
(Address of principal executive office) (Zip Code)

(415) 788-0100

(Registrant’s telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, par value $0.0001 per share	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 No

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 No

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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.

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company

(Do not check if smaller reporting company)

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

As of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of common stock 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, 2014) was approximately $338.5 million. Shares of registrant's common stock held by each executive officer and director 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 January 31, 2015, there were 20,788,277 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to the registrant's 2015 Annual Meeting of Stockholders, which will be filed no later than 120 days after the close of the registrant's fiscal year ended December 31, 2014, are incorporated by reference into Part III hereof.

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Annual Report on Form 10-K for the year ended December 31, 2014

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SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain forward-looking statements, including, without limitation, statements concerning the conditions in our industry, our operations, our economic performance and financial condition, including, in particular, statements relating to our business and growth strategy and service development efforts. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements so long as such information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information. When used in this Annual Report on Form 10-K, the words "may," "might," "should," "estimate," "project," "pla "anticipate," "expect," "intend," "outlook," "believe" and other similar expressions are intended to identify forward-looking statements and information. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. These forward-looking statements are based on estimates and assumptions by our management that, although we believe to be reasonable, are inherently uncertain and subject to a number of risks and uncertainties. These risks and uncertainties include, without limitation, those identified under the caption Item 1A. "Risk Factors" in this Annual Report on Form 10-K and in all our other filings filed with the Securities and Exchange Commission (SEC). We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law. Reference is also made to such risks and uncertainties detailed from time to time in our filings with the SEC.

Unless the context requires otherwise, references to "CAI," "the Company," "we," "us" or "our" in this Annual Report on Forn 10-K refer to CAI International, Inc. and its subsidiaries.

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PART I

ITEM 1.BUSINESS

Our Company

We are one of the world's leading transportation finance and logistics companies. We purchase equipment, which we lease primarily to container shipping lines, freight forwarders and other transportation companies. We also manage equipment for third-party investors. In operating our fleet, we lease, re-lease and dispose of equipment and contract for the repair, repositioning and storage of equipment. Our equipment fleet consists primarily of intermodal marine containers. We also own a small fleet of railcars, which we lease within North America. The following table shows the composition of our fleet as of December 31, 2014 and our average utilization for the year ended December 31, 2014:

	As of December 31, 2014	Percent of Total Fleet
Owned container fleet in TEUs	934,101	80 %
Managed container fleet in TEUs	235,538	20 %
Total container fleet in TEUs	1,169,639	100 %
Owned container fleet in CEUs	961,224	82 %
Managed container fleet in CEUs	214,432	18 %
Total container fleet in CEUs	1,175,656	100 %
Owned railcar fleet in units	2,361	100 %

Year Ended December 31, 2014

Average container fleet utilization in TEUs	91.5 %
Average container fleet utilization in CEUs	92.3 %
Average railcar fleet utilization	95.9 %

The intermodal marine container industry-standard measurement unit is the 20-foot equivalent unit, or TEU, which compares the size of a container to a standard 20-foot container. For example, a 20-foot container is equivalent to one TEU and a 40-foot container is equivalent to two TEUs. Containers can also be measured in cost equivalent units (CEUs), whereby the cost of each type of container is expressed as a ratio relative to the cost of a standard 20-foot dry van container. For example, the CEU ratio for a standard 40-foot dry van container is 1.6, and a 40-foot high cube container is 1.7. Utilization of containers is computed by dividing total units on lease, in CEUs or TEUs, by the total CEUs or TEUs in our container fleet. Utilization of railcars is computed by dividing the number of railcars on lease by the total number of railcars in our fleet. In both cases, the total fleet excludes new units not yet leased and off-hire units designated for sale.

We lease our container equipment to lessees under long-term leases, short-term leases and finance leases. Long-term leases cover a specified number of equipment units that will be on lease for one year or more. Short-term leases provide lessees with the ability to lease equipment either for a fixed term of less than one year or without a fixed term on an as-needed basis, with flexible pick-up and drop-off of equipment at depots worldwide, subject to certain restrictions. Finance leases are long-term lease contracts that generally grant the lessee the right to purchase the equipment at the end of the term for a nominal amount. The following table provides a summary of our container fleet by lease type as of December 31, 2014:

	As of December 31, 2014	
	TEUs	CEUs
Long-term leases	72 %	73 %
Short-term leases	21 %	20 %
Finance leases	7 %	7 %
Total	100 %	100 %

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We manage equipment for third-party investors under management agreements that cover portfolios of equipment. Our management agreements have multiple year terms and provide that we receive a management fee based upon the actual rental revenue for each unit less the actual operating expenses directly attributable to that unit. We also receive fees for selling used equipment on behalf of third-party investors.

Our revenue comprises rental revenue and finance lease income from our owned fleet, and gain on sale of equipment portfolios and management fee revenue for managing equipment for third-party investors. Substantially all of our leasing related revenue is denominated in U.S. dollars. For the year ended December 31, 2014, we recorded total revenue of $227.6 million, net income attributable to CAI common stockholders of $60.3 million and adjusted EBITDA of $195.8 million. A comparison of our 2014 financial results with those of the prior years and a definition of adjusted EBITDA, as well as a reconciliation to the nearest GAAP measure, can be found in Item 6 “Selected Financial Data” of this Annual Report on Form 10-K.

We earn our revenue from international containers which are deployed by our customers in a wide variety of global trade routes. Virtually all of our containers are used internationally and no container is domiciled in one particular place for a prolonged period of time. As such, substantially all of our container assets are considered to be international with no single country of use.

We commenced our railcar leasing business in January 2012. Our railcars are used by lessees on railroads in North America.

Segment Information

We operate in one industry segment, equipment leasing. Prior to the year ended December 31, 2014, we had two reportable business segments, equipment leasing and equipment management. During the year ended December 31, 2014, we determined that equipment management no longer meets the requirements of a reportable segment and, as such, we no longer disclose separate segments. Information regarding segments and geographic areas in which we do business is summarized in Note 15 to our consolidated financial statements in this Annual Report on Form 10-K.

History

We were founded in 1989 by our Chairman, Hiromitsu Ogawa, as a traditional container leasing company that leased containers owned by us to container shipping lines. We were originally incorporated under the name Container Applications International, Inc. in the State of Nevada on August 3, 1989. On February 2, 2007, we were reincorporated under our present name in the State of Delaware.

On May 16, 2007, we completed an initial public offering of our common stock and listed our common stock on the New York Stock Exchange (NYSE) under the symbol “CAP”. On April 30, 2008, we acquired CAI Consent Sweden AB (Consent), formerly named Consent Equipment AB, a European container and intermodal equipment leasing company. Consent was headquartered in Gothenburg, Sweden at the time of its acquisition. In February 2010, Consent’s headquarters were transferred to the United Kingdom. Consent also has an office in Delmenhorst, Germany, which has remained open.

On December 20, 2011, we formed CAI Rail Inc. (CAI Rail), as a wholly-owned subsidiary of CAI International, Inc. CAI Rail was formed to purchase and lease-out a fleet of railcars in North America.

Corporate Information

Our corporate headquarters and principal executive offices are located at Steuart Tower, 1 Market Plaza, Suite 900, San Francisco, California 94105. Our telephone number is (415) 788-0100 and our website address is http://www.capps.com. We have a branch office located in Charleston, South Carolina. We operate our business in 16 offices in 13 countries including the United States, and have agents in Asia, Europe, South Africa, and South America. Our wholly-owned international subsidiaries are located in the United Kingdom, Japan, Malaysia, Sweden, Germany, Singapore, Luxembourg, Australia, Barbados and Bermuda. We also own 80% of CAIJ, Inc., which is an investment manager for third-party investors in Japan.

Industry Overview

We operate primarily in the worldwide intermodal freight container leasing industry. Intermodal freight containers, or containers, are large, standardized steel boxes used to transport cargo by a number of means, including ship, truck and rail. Container shipping lines use containers as the primary means for packaging and transporting freight internationally, principally from export-oriented economies in Asia to other Asian countries, North America and Western Europe.

Containers are built in accordance with standard dimensions and weight specifications established by the International Standards Organization (ISO). Standard dry van containers are eight feet wide, either 20 or 40 feet long and are either 8 feet 6 inches or 9 feet 6 inches tall.

The two principal categories of containers are described as follows:

- Dry van containers. A dry van container is constructed of steel sides, roof and end panel with a set of doors on the other end, a wooden floor and a steel undercarriage. Dry van containers are the least expensive and most commonly used type of container. According to Container Census, 2014- Survey and Forecast of Global Container Units, published by Drewry Maritime Research, dry van containers comprised approximately 89.3% of the worldwide container fleet, as measured in TEUs, as of the end of 2013. They are used to carry general cargo, such as manufactured component parts, consumer staples, electronics and apparel.

- Specialized equipment. Specialized equipment includes open-top, flat-racks, palletwide containers, swapbodies, roll trailers, refrigerated containers and generator sets. An open-top container is similar in construction to a dry van container except that the roof is replaced with a tarpaulin supported by removable roof bows. A flat-rack container is a heavily reinforced steel platform with a wood deck and steel end panels. Open-top and flat-rack containers are generally used to move heavy or oversized cargo, such as marble slabs, building products or machinery. Palletwide containers are a type of dry-van container externally similar to ISO standard containers, but internally about two inches wider so as to accommodate two European-sized pallets side-by-side. Swapbodies are a type of dry van container designed to be easily transferred between rail, truck, and barge and are equipped with legs under their frames. Roll trailers are a type of flat-bed trailer equipped with rubber wheels underneath for terminal haulage and stowage on board roll-on/roll-off vessels. A refrigerated container has an integrated refrigeration unit on one end which plugs into a generator set or other outside power source and is used to transport perishable goods. According to Container Census, 2014- Survey and Forecast of Global Container Units, published by Drewry Maritime Research, specialized containers comprised approximately 10.7% of the worldwide container fleet, as measured in TEUs, as of the end of 2013.

Containers provide a secure and cost-effective method of transportation because they can be used in multiple modes of transportation, making it possible to move cargo from a point of origin to a final destination without repeated unpacking and repacking. As a result, containers reduce transit time and freight and labor costs as they permit faster loading and unloading of shipping vessels and more efficient utilization of transportation containers than traditional bulk shipping methods. The protection provided by containers also reduces damage, loss and theft of cargo during shipment. While the useful economic life of containers varies based upon the damage and normal wear and tear suffered by the container, we estimate that the average useful economic life of a dry van container used in our fleet is 13.0 years.

Container shipping lines own and lease containers for their use. The Container Census, 2014- Survey and Forecast of Global Container Units, published by Drewry Maritime Research, estimates that as of the end of 2013, transportation companies (including container shipping lines and freight forwarders), owned approximately 53.8% of the total worldwide container fleet and container leasing companies owned approximately 46.2% of the total worldwide container fleet based on TEUs. Given the uncertainty and variability of export volumes and the fact that container shipping lines have difficulty in accurately forecasting their container requirements at different ports, the availability of containers for lease significantly reduces a container shipping line’s need to purchase and maintain excess container inventory. In addition, container leases allow the container shipping lines to adjust their container fleets both seasonally and over time and help to balance trade flows. The flexibility offered by container leasing helps container shipping lines improve their overall fleet management and provides the container shipping lines with an alternative source of financing.

We also operate a fleet of railcars that are used to transport industrial goods, materials and other products on railroad tracks throughout North America.

Our Operations

Our container fleet represented 95% of the book value of our rental equipment as of December 31, 2014 and accounted for 95% of equipment rental revenue for the year ended December 31, 2014. Our railcar fleet represented 5% of the book value of our rental equipment as of December 31, 2014 and accounted for 5% of equipment rental revenue for the year ended December 31, 2014.

Container Operations

Fleet Overview. The table below summarizes the composition of our container fleet as of December 31, 2014 by type of equipment:

	Dry Van Containers	Percent of Total Fleet	Specialized Equipment	Percent of Total Fleet	Total	Percent of Total Fleet
Owned container fleet in TEUs	853,015	73 %	81,086	7 %	934,101	80 %
Managed container fleet in TEUs	231,032	20 %	4,506	0 %	235,538	20 %
Total container fleet in TEUs	1,084,047	93 %	85,592	7 %	1,169,639	100 %

	Dry Van Containers	Percent of Total Fleet	Specialized Equipment	Percent of Total Fleet	Total	Percent of Total Fleet
Owned container fleet in CEUs	759,134	65 %	202,110	17 %	961,244	82 %
Managed container fleet in CEUs	205,952	17 %	8,480	1 %	214,432	18 %
Total container fleet in CEUs	965,086	82 %	210,590	18 %	1,175,676	100 %

Overview of Management Services. We lease, re-lease and dispose of containers and contract for the repair, repositioning and storage of our managed fleet. Our management agreements have multiple year terms and provide that we receive a management fee based upon the actual net operating income for each container, which is equal to the actual rental revenue for a container less the actual operating expenses directly attributable to that container. Management fees are collected monthly or quarterly, depending upon the agreement, and generally are not paid if net operating revenue is zero or less for a particular period. If operating expenses exceed revenue, third-party investors are required to pay the excess or we may deduct the excess, including our management fee, from future net operating revenue. Under these agreements, we typically receive a commission for selling or otherwise disposing of containers for the third-party investor. Our management agreements generally require us to indemnify the third-party investor for liabilities or losses arising out of a breach of our obligations. In return, the third-party investor typically indemnifies us in our capacity as the manager of the container against a breach by the third-party investor, sales taxes on commencement of the arrangement, withholding taxes on payments to the third-party investor under the management agreement and any other taxes, other than our income taxes, incurred with respect to the containers that are not otherwise included as operating expenses deductible from revenue.

Marketing and Operations. Our marketing and operations personnel are responsible for developing and maintaining relationships with our lessees, facilitating lease contracts and maintaining the day-to-day coordination of operational issues. This coordination allows us to negotiate lease contracts that satisfy both our financial return requirements and our lessees' operating needs. It also facilitates our awareness of lessees' potential equipment shortages and their awareness of our available equipment inventories. We have marketing and operations employees in ten countries, supported by independent agents in a further eight countries.

Overview of Our Leases. To meet the needs of our lessees and achieve a favorable utilization rate, we lease containers under three main types of leases:

- Long-Term Leases. Our long-term leases specify the number of containers to be leased, the pick-up and drop-off locations, the applicable per diem rate and the contractual term. We typically enter into long-term leases for a fixed term ranging from three to eight years, with five-year term leases being most common. Our long-term leases generally require our lessees to maintain all units on lease for the duration of the lease, which provides us with scheduled lease payments. A small percentage of our long-term leases contain an early termination option and afford the lessee interchangeability of containers, and the ability to redeliver containers if the lessee's fleet requirements change. Generally, leases with an early termination provision impose various economic penalties to the customer if the customer elects to exercise the early termination provision. As of December 31, 2014, approximately 73.2% of our on-lease container fleet, as measured in CEUs, were under long-term leases.

- Short-Term Leases. Short-term leases include both master interchange leases and customized short-term leases. Master interchange leases provide a master framework pursuant to which lessees can lease containers on an as-needed basis, and thus command a higher per diem rate than long-term leases. The terms of master interchange leases are typically negotiated on an annual basis. Under our master interchange leases, lessees know in advance their per diem rates and drop-off locations, subject to monthly port limits. We also enter into other short-term leases that typically have a term of less than one year and are generally used for one-way leasing, typically for small quantities of containers. The terms of short-term leases are customized for the specific requirements of the lessee. Short-term leases are sometimes used to reposition containers to high-demand locations and accordingly may contain terms that provide incentives to lessees. As of December 31, 2014, approximately 20.0% of our on-lease container fleet, as measured in CEUs, was under short-term leases.

· Finance Leases. Finance leases provide our lessees with an alternative method to finance their container acquisitions. Finance leases are long-term in nature and require relatively little customer service attention. They ordinarily require fixed payments over a defined period and generally provide lessees with a right to purchase the leased containers for a nominal amount at the end of the lease term. Per diem rates under finance leases include an element of repayment of capital and, therefore, typically are higher than per diem rates charged under long-term leases. Finance leases require the container lessee to keep the container on lease for the entire term of the lease. As of December 31, 2014, approximately 6.8% of our on-lease container fleet, as measured in CEUs, was under finance leases.

Our lease agreements contain general terms and conditions detailing standard rights and obligations, including requirements that lessees pay a per diem rate, depot charges, taxes and other charges when due, maintain equipment in good condition, return equipment in good condition in accordance with return conditions set forth in the lease agreement, use equipment in compliance with all applicable laws, and pay us for the value of the equipment as determined by the lease agreement if the equipment is lost or destroyed. A default clause in our lease agreements gives us certain legal remedies in the event that an equipment lessee is in breach of lease terms.

Our 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 required to maintain physical damage and comprehensive general liability insurance and to indemnify us against loss with respect to the equipment. We also maintain our own contingent physical damage and third-party liability insurance that covers our equipment during both on-lease and off-lease periods. All of our insurance coverage is subject to annual deductible provisions and per occurrence and aggregate limits.

Re-leasing, Logistics Management and Depot Management. We believe that managing the period after lease termination, in particular of our containers' first lease, is one of the most important aspects of our business. Successful management of this period requires disciplined re-leasing capabilities, logistics management and depot management.

· Re-leasing. Since our leases (other than finance leases) allow our lessees to return their containers, we typically lease a container several times during the time we manage it as part of our fleet. New containers can usually be leased with a limited marketing and customer service infrastructure because initial leases for new containers typically cover large volumes of units and are fairly standardized transactions. Used containers, on the other hand, are typically leased in smaller transactions that are structured to accommodate pick-ups and returns in a variety of locations. Our utilization rates depend on our re-leasing abilities. Factors that affect our ability to re-lease used containers include the size of our lessee base, ability to anticipate lessee needs, our presence in relevant geographic locations and the level of service we provide our lessees. We believe that our global presence and long-standing relationships with more than 330 container lessees as of December 31, 2014 provide us an advantage over our smaller competitors in re-leasing our containers.

· Logistics Management. The shipping industry is characterized by large regional trade imbalances, with loaded containers generally flowing from export-oriented economies in Asia to other Asian countries, North America and Western Europe. Because of these trade imbalances, container shipping lines have an incentive to return leased containers in relatively low export areas to reduce the cost of shipping empty containers. We have managed this structural imbalance of inventories with the following approach:

- Limiting or prohibiting container returns to low-demand areas. In order to minimize our repositioning costs, our leases typically include a list of the specific locations to which containers may be returned, limitations on the number of containers that may be returned to low-demand locations, high drop-off charges for returning containers to low-demand locations or a combination of these provisions;

- Taking advantage of the secondary resale market. In order to maintain a younger fleet age profile, we have aggressively sold older containers when they are returned to low demand areas;

- Developing country-specific leasing markets to utilize older containers in the portable storage market. In North America and Western Europe, we lease on a limited basis older containers for use as portable storage;

- Seeking one-way lease opportunities to move containers from lower demand locations to higher demand locations. One-way leases may include incentives, such as free days, credits and damage waivers. The cost of offering these incentives is considerably less than the cost we would incur if we paid to reposition the containers; and

- Paying to reposition our containers to higher demand locations. At locations where our inventories remain high, despite the efforts described above, we will selectively choose to ship excess containers to locations with higher demand.

- Depot Management. As of December 31, 2014, we managed our equipment fleet through 252 independent equipment depot facilities located in 45 countries. Depot facilities are generally responsible for repairing containers when they are returned by lessees and for storing the containers while they are off-hire. Our operations group is responsible for managing our depot contracts and periodically visiting depot facilities to conduct inventory and repair audits. We also supplement our internal operations group with the use of independent inspection agents. As of December 31, 2014, a vast majority of our off-lease inventory was located at depots that are able to report notices of container activity and damage detail via electronic data interchange, or EDI.

Most of the depot agency agreements follow a standard form and generally provide that the depot will be liable for loss or damage of containers and, in the event of loss or damage, will pay us the previously agreed loss value of the applicable containers. The agreements require the depots to maintain insurance against container loss or damage and we carry insurance to cover the risk that a 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, or the IICL. The IICL establishes and documents the acceptable interchange condition for containers and the repair procedures required to return damaged containers in acceptable interchange condition. When 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. As part of the inspection process, damages are categorized either as lessee damage or normal wear and tear. Items typically designated as lessee damage include dents in the container, while items such as rust are typically designated as normal wear and tear. In general, lessees are responsible for the lessee damage portion of repair costs and we are responsible for normal wear and tear.

Investors. We have historically sold portfolios of leased containers to various overseas investment entities. The investment entities that typically have purchased containers from us are funds formed by investment arrangers who act as financial intermediaries between third-party investors and lessors of containers and other shipping assets. These independent investment arrangers will either seek out investments in leased assets on behalf of an investment fund or a group of third-party investors or will work with us to identify an investor or group of third-party investors to invest in a pool of leased assets. Our 80%-owned subsidiary, CAIJ, Inc., acts as investment arranger for sales of containers by us in Japan and manages container leases for investors in Japan.

Customer Concentration. Revenue from our ten largest equipment lessees represented 55.4% of total revenue for the year ended December 31, 2014, with revenue from our single largest lessee, CMA CGM, accounting for 11.4% of total revenue, or $25.9 million.

Proprietary Real-time Information Technology System. Our proprietary real-time information technology system tracks all of our containers individually by container number, provides design specifications for the containers, tracks on-lease and off-lease transactions, matches each on-lease unit to a lease contract and each off-lease unit to a depot contract, maintains the major terms for each lease contract, tracks accumulated depreciation, calculates the monthly bill for each container lessee and tracks and bills for container repairs. Most of our depot activity is reported electronically, which enables us to prepare container lessee bills and calculate financial reporting information more efficiently.

In addition, our system allows our lessees to conduct business with us through the Internet. This allows our lessees to review our container inventories, monitor their on-lease information, view design specifications and receive information on maintenance and repair. Many of our lessees receive billing and on- and off- lease information from us electronically.

Our Suppliers. We purchase most of our containers in China from manufacturers that have met our qualification requirements. We are currently not dependent on any single manufacturer. We have long-standing relationships with all of our major container suppliers. Our technical services personnel review the designs for our containers and periodically audit the production facilities of our suppliers. In addition, we contract with independent third-party inspectors to monitor production at factories while our containers are being produced. This provides an additional layer of quality control and helps ensure that our containers are produced in accordance with our specifications.

Our Competition. We compete primarily with other container leasing companies, including both larger and smaller lessors. We also compete with bank leasing companies offering long-term operating leases and finance leases, and container shipping lines, which sometimes lease their excess container inventory. Other participants in the shipping industry, such as container manufacturers, may also decide to enter the container leasing business. It is common for container shipping lines to utilize several leasing companies to meet their container needs and to minimize reliance on any one individual leasing company.

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Our competitors compete with us in many ways, including pricing, lease flexibility, supply reliability, customer service and the quality and condition of containers. Some of our competitors have greater financial resources than we do, or are affiliates of larger companies. We emphasize the quality of our fleet, supply reliability and high level of customer service to our container lessees. We focus on ensuring adequate container availability in high-demand locations, dedicate large portions of our organization to building relationships with lessees, maintain close day-to-day coordination with lessees and have developed a proprietary information technology system that allows our lessees to access real-time information about their containers.

Seasonality. We have historically experienced increased seasonal demand for containers in the second and third quarters of the year. However, equipment rental revenue may fluctuate significantly in future periods based upon the level of demand by container shipping lines for leased containers, our ability to maintain a high utilization rate of containers in our total fleet, changes in per diem rates for leases and fluctuations in operating expenses.

Rail Operations

Fleet Overview. We own a fleet of railcars of various types including: 50ft and 60ft box cars for paper and forest products; covered hoppers for grain, cement, sand, plastic pellets and many other industrial products; general purpose tank cars that are used to transport food-grade and other non-hazardous commodities; gondolas for coal; and general service flat cars. We owned 2,361 railcars as of December 31, 2014.

Overview of Our Leases. We offer multiple lease options to our railcar customers, including full service and net operating leases, per diem leases, sale/leasebacks and asset based financings. Our full service leases provide our customers with comprehensive management services including maintenance and the payment of taxes. Net operating leases allow customers to manage and pay the cost of operating and maintaining railcars themselves. Our per diem lease product enables customers to pay through a settlement process on an hourly and mileage basis.

Customer Concentration. Our railcar customers are typically industrial companies who ship their products or raw materials by rail. We lease to a number of different industries and no customer generates more than 15% of our total monthly revenue. Our customers are generally large, creditworthy, industrial companies. Additionally, we work with a number of North American Class I Railroads and regional carriers.

Our Competition. We function in a highly competitive marketplace that includes large and small operating lessors, financial institutions with passive leasing enterprises, captive leasing companies owned by manufacturers and at times with shippers holding large and diverse fleets of railcars.

Credit Control

We lease to container shipping lines, freight forwarders and other transportation companies that meet our credit criteria. Our credit policy sets different maximum exposure limits depending on our relationship and previous experience with each equipment lessee. Credit criteria may include, but are not limited to, trade route, country, social and political climate, assessments of net worth, asset ownership, bank and trade credit references, credit bureau reports, including those from Dynamar, operational history and financial strength. We monitor our lessees' performance and our lease exposures on an ongoing basis. Our credit control processes are aided by the long payment experience we have with most of our lessees, our broad network of relationships in the shipping industry that provide current information about our lessees’ market reputations and our focus on collections.

Environmental Matters

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 or natural resource damage and personal injury, as a result of violations of environmental laws and regulations in connection with our or our lessees’ current or historical operations. Under some environmental laws in the United States and certain other countries, the owner or operator of equipment may be liable for environmental damage, cleanup or other costs in the event of a spill or discharge of material from the equipment without regard to the fault of the owner or operator. While we typically maintain liability insurance coverage and typically require our lessees to provide us with indemnity against certain losses, the insurance coverage is subject to large deductibles, limits on maximum coverage and significant exclusions and may not be sufficient or available to protect against any or all liabilities and such indemnities may not cover or be sufficient to protect us against losses arising from environmental damage.

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Regulation

We are subject to regulations promulgated in various countries, including the United States, seeking to protect the integrity of international commerce and prevent the use of equipment for international terrorism or other illicit activities. For example, the Container Security 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, as amended, adopted by the International Maritime Organization, applies to new and existing 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 equipment and/or the adaptation of existing equipment to meet new requirements imposed by such regulations.

Employees

As of December 31, 2014, we had 101 employees worldwide. We are not a party to any collective bargaining agreements. We believe that relations with our employees are good.

Available Information

Our Internet website address is http://www.capps.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 Securities Exchange Act of 1934, as amended (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. Also, copies of our filings with the SEC will be made available, free of charge, upon written request to the Company.

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ITEM 1A.RISK FACTORS

In addition to the other information contained in this Annual Report on Form 10-K, we have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition, results of operations and cash flows. Investors should carefully consider the risks described below before making an investment decision. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently believe are immaterial may also impair our business operations. Our business could be harmed by any of these risks. The trading price of our common stock could decline due to any of these risks and investors may lose all or part of their investment. This section should be read in conjunction with our audited consolidated financial statements and related notes thereto, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in this Annual Report on Form 10-K.

Risks Related to Our Business and the Equipment Leasing Industry

The demand for leased containers depends on many political, economic and other factors beyond our control.

A significant amount of our revenue comes from activities related to the leasing of containers. Our ability to continue successfully leasing containers to container shipping lines, earning management fees on leased containers and attracting third-party investors to purchase container portfolios from us depends in part upon the continued demand for leased containers. The demand for containers is affected by numerous factors.

Demand for containers depends largely on the rate of world trade and economic growth, with consumer demand being one of the most critical factors affecting this growth. Economic downturns in one or more countries or regions, particularly in the United States, China, Europe and other consumer-oriented economies, could result in a reduction in world containerized trade growth or in demand by container shipping lines for leased containers. In Europe, the ongoing sovereign debt crisis, the loss of value by the Euro and related effects on the European banking system have contributed to growing instability in the European currency and credit markets. Further deterioration of European economic conditions, the dissolution of the European Union or the Euro, or a significant loss of value by the Euro could reduce demand for the Company’s containers globally.

Economic recessions may result in a decline in the future demand for containers by our customers and could lead to an increase in the number of containers returned to us, reduce our equipment rental revenue, reduce utilization of our fleet, increase our operating expenses (such as storage, bad debt and repositioning costs) and have an adverse effect on our future financial performance. Much of our leasing business involves shipments of goods exported from Asia. From time to time, there have been economic disruptions, health scares, financial turmoil, natural disasters and political instability in Asia and in the Middle East. If these events were to occur in the future, they could adversely affect our container lessees and the general demand for shipping and lead to reduced demand for leased containers or otherwise adversely affect us. Other general factors affecting demand for leased containers, utilization and per diem rates include the following:

- available supply and prices of new and used containers;

- economic conditions and competitive pressures in the shipping industry;

- shifting trends and patterns of cargo traffic;
- the availability and terms of container financing;
- fluctuations in interest rates and foreign currency values;
- overcapacity or undercapacity of the container manufacturers;
- the lead times required to purchase containers;
- the number of containers purchased by competitors and container lessees;
- container ship fleet overcapacity or undercapacity;
- increased repositioning by container shipping lines of their own empty containers to higher-demand locations in lieu of leasing containers from us;
- consolidation or withdrawal of individual container lessees in the container shipping industry;
- import/export tariffs and restrictions;
- customs procedures, foreign exchange controls and other governmental regulations;
- natural disasters that are severe enough to affect local and global economies;
- political and economic factors;
- currency exchange rates; and
- future regulations which could restrict our current business practices and increase our cost of doing business.

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All of these factors are inherently unpredictable and beyond our control. These factors will vary over time, often quickly and unpredictably, and any change in one or more of these factors may have a material adverse effect on our business, financial condition, results of operations and cash flows. Many of these factors also influence decisions by our customers to lease or buy containers. Should one or more of these factors influence our customers to buy a larger percentage of the containers they operate, our utilization rate would decrease, resulting in decreased revenue and increased storage and repositioning costs.

Continuing turmoil in the Middle East and North Africa could cause increases in oil prices or disruptions in oil supplies which could substantially affect global trade and our business.

Recent protests, violence and political instability in certain Middle East and North African countries have increased the risk of political turmoil spreading through the region. Such events could cause the price of oil to increase or disrupt world oil supplies. Our business is dependent on the volume of global trade. Such events could cause substantial volatility in the U.S. and world financial markets and global trade, which could harm our business.

Our results of operations could be affected by natural events in the locations in which we or our customers or suppliers operate.

We have operations in locations subject to natural disasters such as severe weather and geological events that could disrupt our operations. In addition, our suppliers and customers also have operations in such locations. For example, on March 11, 2011, the northern region of Japan experienced a severe earthquake followed by a series of tsunamis resulting in negative direct economic effects to the Japanese economy. Although the earthquake in Japan did not cause a disruption in our operations in the region, any future natural disasters in Japan or elsewhere in the world where we have business operations could lead to disruption of the regional and global economies, which could result in a decrease in demand for leased equipment, adversely impacting our business, financial condition, results of operations and cash flows.

Per diem rates for our leased containers may decrease, which would have a negative effect on our business and results of operations.

Per diem rates for our leased containers depend on a large number of factors, including the following:

- the type and length of the lease;
- embedded residual assumptions;
- the type and age of the containers;
- the number of new units available for lease by our competitors;
- the location of the containers being leased;
- the price of new containers; and
- interest rates.

Because steel is the major component used in the construction of new containers, the price of new containers and per diem rates on new containers are highly correlated with the price of raw steel. For example, steel prices decreased during 2014, which resulted in a corresponding decrease in new container prices. We cannot predict container prices in the future. If newly manufactured container prices continue to decline, we may need to lease the containers at low return rates or at a loss.

Per diem rates may be negatively impacted by the entrance of new leasing companies, overproduction of new containers by manufacturers and over-buying of containers by container shipping lines and leasing competitors. In the event that the container shipping industry were to be characterized by overcapacity in the future, or if available supply of containers were to increase significantly as a result of, among other factors, new companies entering the business of leasing and selling containers, both utilization and per diem rates may decrease, adversely affecting our business, financial condition, results of operations and cash flows.

We face risks associated with re-leasing containers after their initial long term lease.

Containers used in our fleet have an average useful economic life that is generally between 12 and 15 years. When we purchase newly manufactured containers, we typically lease them out under long-term leases with terms of 3 to 8 years at a lease rate that is correlated to the price paid for the container. As containers leased under term leases are not leased out for their full economic life, we face risks associated with re-leasing containers after their initial long term lease at a rate that continues to provide a reasonable economic return based on the initial purchase price of the container. If prevailing container lease rates decline significantly between the time a container is initially leased out and when its initial long term lease expires, or if overall demand for containers declines, we may be unable to earn a sufficient lease rate from the re-leasing of containers when their initial term leases expire. This could adversely affect our business, financial condition, results of operations and cash flows.

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Gains and losses associated with the disposition of used containers may fluctuate and adversely affect our results of operations.

Although our revenues primarily depend upon equipment leasing, our profitability is also affected by the gains or losses we realize on the sale of used containers because, in the ordinary course of our business, we sell certain containers when they are returned to us. The volatility of the selling prices and gains or losses from the disposal of such equipment may be significant. Used container selling prices, which can vary substantially, depend upon, among other factors, the cost of new containers, the global supply and demand balance for containers, the location of the containers, the supply and demand balance for used containers at a particular location, the repair condition of the container, refurbishment needs, 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 selling price risk than finance leases.

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

Used container prices and our disposal gains have decreased in the last two years and disposal prices are nearing our current residual values. However, they could decrease further from current levels which would have a negative impact on our financial performance and cash flow. These effects could be significant if used container sale prices decreased rapidly.

We may incur significant costs to reposition containers.

When lessees return containers to locations where supply exceeds demand, we may make a decision to reposition containers to higher demand areas rather than sell the container and realize a loss on that sale. Repositioning 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 lessee of the containers or pick-up charges paid by the new lessee. We seek to limit the number of units that can be returned and impose surcharges on containers returned to areas where demand for such containers is not expected to be strong. However, market conditions may not enable us to continue such practices. In addition, we may not accurately anticipate which port locations will be characterized by high or low demand in the future, and our current contracts will not protect us from repositioning costs if ports that we expect to be high-demand ports turn out to be low-demand ports at the time leases expire.

Lessee defaults may adversely affect our business, results of operations and financial condition by decreasing revenue and increasing storage, repositioning, collection and recovery expenses.

Our equipment is leased to numerous equipment lessees. Lessees are required to pay rent and indemnify us for damage to or loss of equipment. Lessees may default in paying rent and performing other obligations under their leases. A delay or diminution in amounts received under the leases (including leases on our managed equipment), or a default in the performance of maintenance or other lessee obligations under the leases could adversely affect our business, financial condition, results of operations and cash flows and our ability to make payments on our debt.

Our cash flows from equipment, principally equipment rental revenue, management fee revenue, gain on sale of equipment portfolios, gain on disposition of used equipment and commissions earned on the sale of equipment on behalf of equipment investors, are affected significantly by the ability to collect payments under leases and the 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 the performance by lessees and service providers that are not within our control.

When lessees default, we may fail to recover all of our equipment and the equipment we do recover may be returned to locations where we will not be able to quickly re-lease or sell it on commercially acceptable terms. We may have to reposition the equipment to other places where we can re-lease or sell it, which could be expensive depending on the locations and distances involved. Following repositioning, we may need to repair the equipment and pay equipment depots for storage until the equipment is re-leased. For our owned equipment these costs will directly reduce our income before taxes and for our managed equipment, lessee defaults will increase operating expenses, and thus reduce our management fee revenue. We maintain insurance to reimburse the Company and third-party investors for such customer defaults. The insurance agreements are subject to deductibles of up to $3.0 million per occurrence and have significant exclusions and, therefore, may not be sufficient to prevent us from suffering material losses. Additionally, the increase in claims made by the Company under such insurance agreements may result in such insurance not being available to us in the future on commercially reasonable terms, or at all.

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Our level of indebtedness reduces our financial flexibility and could impede our ability to operate.

We have a significant amount of indebtedness and we intend to borrow additional amounts under our credit facilities to purchase equipment and make acquisitions and other investments. We expect that we will maintain a significant amount of indebtedness on an ongoing basis. As of December 31, 2014, our total outstanding debt (including capital lease obligations) was $1,264.5 million. Interest expense on such debt will be $7.2 million per quarter for 2015, assuming floating interest rates remain consistent with those as of December 31, 2014. There is no assurance that we will be able to refinance our outstanding indebtedness when it becomes due, or, if refinancing is available, that it can be obtained on terms that we can afford.

Our credit facilities require us to pay a variable rate of interest, which will increase or decrease based on variations in certain financial indexes, and fluctuations in interest rates can significantly decrease our profits. We do not have any hedge or similar contracts that would protect us against changes in interest rates.

The amount of our indebtedness could have important consequences for us, including the following:

· requiring 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;
· limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
· making it more difficult for us to satisfy 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, which could have a material adverse effect on our business, financial condition, results of operations and cash flows;
· making it difficult for us to pay dividends on, or repurchase, our common stock;
· placing us at a competitive disadvantage compared to our competitors having less debt;
· limiting our ability to borrow additional funds, or to sell assets to raise funds, if needed, for working capital, capital expenditures, acquisitions or other purposes; and
· increasing our vulnerability to general adverse economic and industry conditions, including changes in interest rates.

We may not generate sufficient cash flow from operations to service and repay our debt and related obligations 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 industry.

We will require a significant amount of cash to service and repay our outstanding indebtedness and 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. As of December 31, 2014, our total outstanding debt (including capital lease obligations and collateralized financing obligations) was $1,264.5 million. Interest expense on such debt will be $7.2 million per quarter, assuming floating interest rates remain consistent with those at December 31, 2014. These amounts will increase to the extent we borrow additional funds. It is possible that:

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our business will not generate sufficient cash flow from operations to service and repay our debt and to fund working capital requirements and planned capital expenditures;
- future borrowings will not be available under our current or future credit facilities in an amount sufficient to enable us to refinance our debt; or
- we will not be able to refinance any of our debt on commercially reasonable terms or at all.

Our credit facilities impose, and the terms of any future indebtedness may impose, significant operating, financial and other restrictions on us and our subsidiaries.

Restrictions imposed by our credit facilities or other indebtedness will limit or prohibit, among other things, our ability to:

- incur additional indebtedness;
- pay dividends on or redeem or repurchase our stock;
- enter into new lines of business;
- issue capital stock of our subsidiaries;
- make loans and certain types of investments;

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· create liens;
· sell certain assets or merge with or into other companies;
· enter into certain transactions with stockholders and affiliates; and
· restrict dividends, distributions or other payments from our subsidiaries.

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, including breach of financial covenants, 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 would constitute substantially all of our equipment assets.

We may incur future asset impairment charges and additional depreciation expense.

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 for impairment 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 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 an asset, or group of assets, is considered to be impaired, it may also indicate that the residual value of the associated equipment type needs to be reduced. If residual values of our rental equipment are lowered, then our depreciation expense will increase, which could have an adverse impact on our business, financial condition and results of operations.

We derive a substantial portion of our revenue from a limited number of equipment lessees. The loss of, or reduction in business by, any of these equipment lessees, or a default from any large equipment lessee, could result in a significant loss of revenue and cash flow.

We have derived, and believe that we will continue to derive, a significant portion of our revenue and cash flow from a limited number of equipment lessees. Revenue from our ten largest lessees represented 55.4% of total revenue for the year ended December 31, 2014, with revenue from our single largest lessee accounting for 11.4%, or $25.9 million. As our business grows, we expect the proportion of revenue generated by our larger customers to continue to increase. The loss of such a customer would have a material adverse impact on our business, financial condition, results of operations and cash flows. In addition, a default by any of our largest lessees would result in a major reduction in our leasing revenue, large repossession expenses, potentially large lost equipment charges and a material adverse impact on our performance and financial condition.

Consolidation and concentration in the container shipping industry could decrease the demand for leased containers.

We primarily lease containers to container shipping lines. We estimate that container shipping lines require approximately two TEUs of available containers for every TEU of capacity on their container ships. The container shipping lines have historically relied on a large number of leased containers to satisfy their needs. Consolidation of major container shipping lines could create efficiencies and decrease the demand that container shipping lines have for leased containers because they may be able to fulfill a larger portion of their needs through their owned container fleets. It could also create concentration of credit risk if the number of our container lessees decreases due to consolidation. Additionally, large container shipping lines with significant resources could choose to manufacture their own containers, which would decrease their demand for leased containers and could have an adverse impact on our business, financial condition, results of operations and cash flows.

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

We currently purchase almost all of our containers from manufacturers based in China. If it became more expensive for us to procure containers in China or to transport these units at a low cost from China to the locations where they are needed by our container lessees because of changes in exchange rates between the U.S. Dollar and Chinese Yuan, further consolidation among container suppliers, increased tariffs imposed by the United States or other governments or for any other reason, we may have to seek alternative sources of supply. While we are not currently dependent on any single current manufacturer of our containers, we may not be able to make alternative arrangements quickly enough to meet our container needs, and the alternative arrangements may increase our costs. The availability of containers depends significantly on the availability and cost of steel in China. If a shortage of steel develops either in China or worldwide, container manufacturers may not be able to meet our demand for new containers, which would limit our ability to add new containers to our fleet.

Terrorist attacks, the threat of such attacks, piracy or the outbreak of war and hostilities could negatively impact our operations and profitability and may expose us to liability.

Terrorist attacks and the threat of such attacks have contributed to economic instability in the United States and elsewhere, and further acts or threats of terrorism, violence, war or hostilities could similarly affect world trade and the industries in which we and our equipment lessees operate. For example, worldwide containerized trade dramatically decreased in the immediate aftermath of the September 11, 2001 terrorist attacks in the United States, which affected demand for leased equipment. In addition, terrorist attacks, threats of terrorism, piracy or threats thereof, violence, war or hostilities may directly impact ports, depots, our facilities or those of our suppliers or equipment lessees, 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 equipment. We maintain liability insurance which in the aggregate provides coverage of up to $50.0 million that we believe would apply to claims arising from a terrorist attack, and our lease agreements require our lessees to indemnify us for all costs, liabilities and expenses arising out of the use of our equipment, including property damage to the equipment, damage to third-party property and personal injury. However, our lessees may not have adequate resources to honor their indemnity obligations and our insurance coverage is subject to large deductibles and significant exclusions. Accordingly, we may not be protected in all cases from liability (and expenses in defending against claims of liability) arising from a terrorist attack.

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, 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 of the reputational damage that could arise from a terrorist attack which utilizes one of our containers.

Our senior executives are critical to the success of our business and our inability to retain them or recruit new personnel could adversely affect our business.

Most of our senior executives and other management-level employees have over ten years of 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, financial condition, results of operations and cash flows. 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 individuals 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 obtain new equipment lessees and provide acceptable levels of customer service could suffer.

We rely on our proprietary information technology system to conduct our business. If this system fails to adequately perform its functions, or if we experience an interruption in its operation, our business, results of operations and financial prospects could be adversely affected.

The efficient operation of our business is highly dependent on our proprietary information technology system. We rely on our system to track transactions, such as repair and depot charges and changes to book value, and movements associated with each of our owned or managed equipment units. We use the information provided by this system in our day-to-day business decisions in order to effectively manage our lease portfolio and improve customer service. We also rely on it for the accurate tracking of the performance of our managed fleet for each third-party investor. The failure of our system to perform as we expect could disrupt our business, adversely affect our financial condition, results of operations and cash flows and cause our relationships with lessees and third-party investors to suffer. In addition, our information technology system is vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, power loss and computer systems failures, unauthorized breach and viruses. Any such interruption could have a material adverse effect on our business, reputation, results of operations and financial prospects.

We face extensive competition in the equipment leasing industry.

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

Our business requires large amounts of working capital to fund our operations. We are aware that some of our competitors have had ownership changes in recent years. As a consequence, these competitors may have greater resources available to aggressively seek to expand their market share. This could include offering lease rates with which we cannot effectively compete. We cannot assure you that we will be able to compete successfully against these competitors.

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Competition among equipment leasing companies depends upon many factors, including, among others, per diem rates; lease terms, including lease duration, drop-off restrictions and repair provisions; customer service; and the location, availability, quality and individual characteristics of equipment units. New entrants into the leasing business have been attracted by the high rate of containerized trade growth in recent years. New entrants may be willing to offer pricing or other terms that we are unwilling or unable to match. As a result, we may not be able to maintain a high utilization rate or achieve our growth plans.

Our entry into the railcar leasing business could have an adverse effect on our overall profitability if we do not succeed in this line of business.

As of December 31, 2014, we have invested $89.6 million in railcar assets. The railcar leasing business involves different customers, equipment, storage and handling facilities and other operating issues that are different from our traditional container leasing business. This business is competitive and dominated by well capitalized industry players. We cannot assure you that this business will be successful and profitable.

The international nature of our business exposes us to numerous risks.

Our ability to enforce lessees' obligations will be subject to applicable law in the jurisdiction in which enforcement is sought. As containers are predominantly located on international waterways, it is not possible to predict, with any degree of certainty, the jurisdictions in which enforcement proceedings may be commenced. For example, repossession from defaulting lessees may be difficult and more expensive in jurisdictions in which laws do not confer the same security interests and rights to creditors and lessors as those in the United States and in jurisdictions where recovery of containers from defaulting lessees is more cumbersome. As a result, the relative success and expedience of enforcement proceedings with respect to containers in various jurisdictions cannot be predicted.

We are also 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 the countries in which we operate;
- import and export duties and quotas;
- value-added tax and other sales-type taxes which could result in additional costs to us if they are not properly collected or paid;
- domestic and foreign customs and tariffs;
- international incidents;
- war, hostilities, terrorist attacks, piracy, or the threat of any of these events;
- 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;
- consequences from changes in tax laws, including tax laws pertaining to container investors;

- potential liabilities relating to foreign withholding taxes;
- 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.

One or more of these factors could impair our current or future international operations and, as a result, harm our overall business, financial condition, results of operations and cash flows.

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We may incur costs associated with new security regulations, which may adversely affect our business, financial condition and results of operations.

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 equipment for international terrorism or other illicit activities. For example, the Container Security 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 new and existing 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 compliance costs due to the acquisition of new, compliant equipment and/or the adaptation of existing equipment to meet 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 equipment transported in international commerce. Regardless of the existence of current or future government regulations mandating the safety standards of intermodal shipping equipment, our competitors may adopt such products or our equipment lessees may require that we adopt such products. 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.

We operate in numerous tax jurisdictions. A taxing authority within any of these jurisdictions may challenge our operating structure which could result in additional taxes, interest and penalties that could materially impact our financial conditions and our future financial results.

We have implemented a number of structural changes with respect to our Company and its domestic and international subsidiaries in an effort to reduce our income tax obligations in countries in which we operate. There can be no assurance that our tax structure and the amount of taxes we pay in any of these countries will not be challenged by the taxing authorities in the countries in which we operate. If the tax authorities challenge our tax positions or the amount of taxes paid for the purchase, lease or sale of equipment in each jurisdiction in which we operate, we could incur substantial expenses associated with defending our tax position as well as expenses associated with the payment of any additional taxes, penalties and interest that may be imposed on us. The payment of these amounts could have an adverse material effect on our business, financial condition, results of operations and cash flows.

Environmental liability may adversely affect our business and financial condition.

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, ground 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 costs arising out of third-party claims for property or natural resource damage and personal injury, as a result of violations of or liabilities under environmental laws and regulations in connection with our or our lessees’ current or historical operations. Under some environmental laws in the United States and certain other countries, the owner or operator of a 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 whether or not the spill or discharge was the fault of the owner or operator. While we typically maintain liability insurance and typically require lessees to provide us with indemnity against certain losses, insurance coverage may not be sufficient, or available, to protect against any or all liabilities and such indemnities may not be sufficient to protect us against losses arising from environmental damage. Moreover, our lessees may not have adequate resources, or may refuse to honor their indemnity obligations and our insurance coverage is subject to large deductibles, coverage limits and significant exclusions. Additionally, many countries, including the United States, restrict, prohibit or otherwise regulate the use of chemical refrigerants 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 CFCs (which have been restricted since 1995), 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 R134A 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. Further, certain manufacturers of refrigerated containers, including the largest manufacturer of cooling machines for refrigerated containers, have begun testing units that utilize alternative refrigerants, such as carbon dioxide, that may have less global warming potential than R134A and 404A. 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 rental rates and disposal prices.

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Furthermore, installation of the insulation foam in the walls of refrigerated containers involves the use of a blowing agent that contains CFCs. Manufacturers are in various stages of phasing out the use of this blowing agent in the manufacturing process. However, if future regulations prohibit the use or servicing of containers with insulation manufactured with this blowing agent we could be forced to incur large retrofitting expenses and those that are not retrofitted may become more difficult to lease and command lower rental rates and disposal prices.

Use of counterfeit and improper refrigerant in refrigeration machines for refrigerated containers could result in irreparable damage to the refrigeration machines, death or personal injury, and materially impair the value of our refrigerated container fleet.

There are reports of counterfeit and improper refrigerant gas being used to service refrigeration machines. The use of this counterfeit gas has led to the explosion of several refrigeration machines within the industry. A small number of these incidents have resulted in personal injury or death and, in all cases, the counterfeit gas has led to irreparable damage to the refrigeration machines.

A testing procedure has been developed and approved by the International Institute of Container Lessors to determine whether counterfeit gas has been used to service a refrigeration machine. These tests are carried out on our refrigeration machines when they are off-hired and returned to a depot. If such tests are not proven safe and effective or if the use of such counterfeit and improper refrigerant is more widespread than currently believed, the value of our refrigerated container fleet and our ability to lease refrigerated containers could be materially impaired and could therefore have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may face litigation involving our management of equipment for third-party investors.

We manage equipment for third-party investors under management agreements that are negotiated with each third-party investor. We make no assurances to third-party investors that they will make any amount of profit on their investment or that our management activities will result in any particular level of income or return of their initial capital. Although our management agreements contain contractual protections and indemnities that are designed to limit our exposure to litigation relating to these investments, such provisions may not be effective and we may be subject to a significant loss in a successful litigation by a third-party investor.

Our 80 percent ownership in CAIJ, Inc., a container investment arranger and advisor focused on arranging container investments with Japanese investors, may subject us to material litigation risks and damage to our professional reputation as a result of litigation allegations and negative publicity.

CAIJ, Inc. (CAIJ) was formed and began operation in 2007 for the purpose of arranging investments in our containers with Japanese investors. CAIJ has arranged a significant amount of investments and we expect that CAIJ will arrange more container investments in the future. Because we are the seller and manager of the containers that will be sold to investors on whose behalf CAIJ acts as an arranger and advisor, there is an inherent conflict of interest between us, CAIJ and the investors. We disclose this inherent conflict of interest to third-party investors prior to any sale to them, but we do not provide them with any assurances that they will realize a specific or any investment return on the containers purchased from, and managed by, us. In the event that these third-party investors realize losses on their investments or believe that the returns on their investments are lower than expected, they may make claims, including bringing lawsuits, against CAIJ or us for our alleged failure to act in their best interests or make appropriate disclosures to them. Any such claims could result in the payment of legal expenses and damages and also damage our reputation with third-party investors and potential third-party investors and materially and adversely affect our business, financial condition, results of operations and cash flows.

Certain liens may arise on our equipment.

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

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 interests in containers. Although we have not incurred material problems with respect to this lack of an internationally recognized system, the lack of an international title recordation system for containers could result in disputes with lessees, end-users, or third parties who may improperly claim ownership of the containers.

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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.

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.

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.

We may pursue acquisitions or joint ventures in the future that could present unforeseen integration obstacles or costs.

We may pursue acquisitions and joint ventures in the future. 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 integrating 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. Acquisitions or joint ventures may not be successful, and we may not realize any anticipated benefits from acquisitions or joint ventures.

A new standard for lease accounting under GAAP has been proposed which could have a financial impact on our business and may negatively impact the market behavior of our customers.

Our consolidated financial statements are prepared in accordance with GAAP. In 2010, the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) issued a jointly developed proposal on lease accounting that could significantly change the accounting and reporting for lease arrangements. The main objective of the proposed standard is to create a new accounting model for both lessees and lessors, replacing the existing concepts of operating and capital leases with models based on “right-of-use” concepts. The new models would result in the elimination of most off-balance sheet lease financing for lessees. The FASB’s document is in the form of an exposure draft of a proposed Accounting Standards Update, Leases (Topic 840) (ED), issued in August 2010, and would apply to the accounting for all leases, with some exceptions.

In May 2013, after considering constituents' comments, the FASB issued a revised exposure draft, Accounting Standards Update, Leases (Topic 842): a revision of the 2010 proposed Accounting Standards Update, Leases (Topic 840). The objective of the revised ED is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information. The revised ED does not specify an effective date and the Boards will consider feedback they receive before determining one. In January 2014, the FASB and IASB began their re-deliberations of the proposals included in the May 2013 ED with an emphasis on (1) lessor accounting model, (2) accounting for "Type A" leases by lessors, (3) lessee accounting model and (4) lessee small-ticket leases. No final decisions have been reached to date.

While there is no specific effective date on the ED, it will likely not be before 2017. If there are future changes in GAAP with regard to how we and our customers must account for leases, it could change the way we and our customers conduct our businesses. As a result, we are unable to determine how the proposed changes could affect our business, but they could have an adverse effect on our financial condition, results of operations and cash flows.

Fluctuations in foreign exchange rates could reduce our profitability.

Most of our revenues and costs are billed in U.S. dollars. Our operations and used equipment 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 relative currency values. In addition, 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. Adverse or large exchange rate fluctuations may negatively affect our financial condition, results of operations and cash flows.

Risks Related to our Stock

Our stock price has been volatile and may remain volatile.

The trading price of our common stock may be subject to wide fluctuations in response to quarter-to-quarter variations in operating results, new products or services by us or our competitors, general conditions in the shipping industry and the intermodal equipment sales and leasing markets, changes in earnings estimates by analysts, or other events or factors which may or may not be under our control. Broad market fluctuations may adversely affect the market price of our common stock. Since the initial public offering of our stock at $15.00 per share on May 16, 2007, the market price of our stock has fluctuated significantly from a high of $30.28 per share to a low of $2.12 per share through February 20, 2015. Since the trading volume on our stock is modest on a daily basis, shareholders may experience difficulties in liquidating our stock. Factors affecting the trading price of our common stock may include:

- variations in our financial results;
- changes in financial estimates or investment recommendations by any securities analysts following our business;
- the public's response to our press releases, our other public announcements and our filings with the SEC;
- our ability to successfully execute our business plan;
- changes in accounting standards, policies, guidance, interpretations or principles;
- future sales of common stock by us or our directors, officers or significant stockholders or the perception such sales may occur;
- our ability 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;
- recruitment or departure of key personnel;
- our ability to timely address changing equipment lessee and third-party investor preferences;
- equipment market and industry factors;
- general stock market conditions; and
- other events or factors, including those resulting from war, incidents of terrorism or responses to such events.

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

Future new sales of our common stock by us or outstanding shares by existing stockholders, or the perception that there will be future sales of new shares from the company or existing stockholders, may cause our stock price to decline and impair our ability to obtain capital through future stock offerings.

A substantial number of shares of our common stock held by our current stockholders could be sold into the public market at any time. In addition, the perception of, or actual sale of, new shares by us may materially and adversely affect our stock price and could impair our ability to obtain future capital through an offering of equity securities.

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We do not currently pay dividends to holders of our common stock, and we cannot assure you that we will pay dividends to holders of our common stock in the future.

Although our board of directors may consider a dividend policy under which we would pay cash dividends on our common stock, any determinations by us to pay cash dividends on our common stock in the future will be based primarily upon our financial condition, results of operations, business requirements, tax considerations and our board of directors' continuing determination that the declaration of dividends under the dividend policy are in the best interests of our stockholders and are in compliance with all laws and agreements applicable to the dividend program. In addition, the terms of our credit agreements contain provisions restricting the payment of cash dividends subject to certain exceptions. Consequently, investors may be required to rely on sales of their common stock as the only way to realize any future gains on their investment.

If securities analysts do not publish research or reports about our business or if they decrease their financial estimates or investment recommendations, the price of our stock could decline.

The trading market for our common shares may rely in part on the research and reports that industry or financial analysts publish about us or our business. We do not control or influence the decisions or opinions of these analysts and analysts may not cover us.

If any analyst who covers us decreases his or her financial estimates or investment recommendation, the price of our stock could decline. If any analyst ceases coverage of our company, we could lose visibility in the market, which in turn could cause our stock price to decline.

Our founder, Mr. Hiromitsu Ogawa, will continue to have substantial control over us and could act in a manner with which other stockholders may disagree or that is not necessarily in the interests of other stockholders.

Based upon beneficial ownership as of December 31, 2014, Mr. Ogawa beneficially owns 21.1% of our outstanding common stock. As a result, he may have the ability to determine the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, he may have the ability to control the management and affairs of our company. Mr. Ogawa may have interests that are different from yours. For example, he may support proposals and actions with which you may disagree or which are not in your interests. The concentration of ownership could delay or prevent a change in control of us or otherwise discourage a potential acquirer from attempting to obtain control of us, which in turn could reduce the price of our common stock. In addition, as Chairman of our Board of Directors, Mr. Ogawa may influence decisions to maintain our existing management and directors in office, delay or prevent changes of control of our company, or support or reject other management and board proposals that are subject to stockholder approval, such as amendments to our employee stock plans and approvals of significant financing transactions.

Our certificate of incorporation and bylaws and Delaware law contain provisions that could discourage a third party from acquiring us and consequently decrease the market value of an investment in our common stock.

Our certificate of incorporation and bylaws and Delaware corporate law each contain provisions that could delay, defer or prevent a change in control of our company or changes in our management. Among other things, these provisions:

- authorize us to issue preferred stock that can be created and issued by the board of directors without prior stockholder approval, with rights senior to those of our common stock;
- permit removal of directors only for cause by the holders of a majority of the shares entitled to vote at the election of directors and allow only the directors to fill a vacancy on the board of directors;
- prohibit stockholders from calling special meetings of stockholders;
- prohibit stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;
- require the affirmative vote of 66 2/3% of the shares entitled to vote to amend our bylaws and certain articles of our certificate of incorporation, including articles relating to the classified board, the size of the board, removal of directors, stockholder meetings and actions by written consent;
- allow the authorized number of directors to be changed only by resolution of the board of directors;
- establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting;
- classify our board of directors into three classes so that only a portion of our directors are elected each year; and
- allow our directors to amend our bylaws.

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These provisions could discourage proxy contests and make it more difficult for our stockholders to elect directors and take other corporate actions, which may prevent a change of control or changes in our management that a stockholder might consider favorable. In addition, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change in control of us. Any delay or prevention of a change in control or change in management that stockholders might otherwise consider to be favorable could cause the market price of our common stock to decline.

ITEM 1B.UNRESOLVED STAFF COMMENTS

None.

ITEM 2.PROPERTIES

Office Locations. As of December 31, 2014, we operated our business in 16 offices in 13 different countries including the U.S. We have two offices in the U.S. including our headquarters in San Francisco, California. We have 14 offices outside the U.S., including offices operated by third party corporate service providers in Bermuda and Luxembourg. In addition, we have agents in Asia, Europe, South Africa, and South America. Each of our offices is used for both equipment leasing and equipment management operations, except for our office in Delmenhorst, Germany which is used only for equipment leasing operations. All of our offices, except those operated by third party corporate service providers, are leased.

The following table summarizes our office locations as of December 31, 2014:

Office Locations – U.S.

San Francisco, CA (Headquarters)

Charleston, SC

Office Locations – International

Brentwood, United Kingdom

St. Michael, Barbados

Antwerp, Belgium

Hong Kong

Singapore

Delmenhorst, Germany

Hamburg, Germany

Tokyo, Japan (two offices)

Kuala Lumpur, Malaysia

Taipei, Taiwan

Luxembourg

Hamilton, Bermuda

Sydney, Australia

ITEM 3.LEGAL PROCEEDINGS

From time to time we may become a party to litigation matters arising in connection with the normal course of our business, including in connection with enforcing our rights under our leases. 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, financial condition, results of operations or cash flows. 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, financial condition, results of operations or cash flows. We are currently not party to any material legal proceedings which are material to our business, financial condition, results of operations or cash flows.

ITEM 4.MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

Our common stock is traded on the NYSE under the symbol "CAP." The following table reflects the range of high and low sales prices of our common stock, as reported on the NYSE in each quarter of the years ended December 31, 2014 and 2013:

	High	Low
2014:		
Fourth Quarter	$ 23.61	$ 18.68
Third Quarter	$ 22.65	$ 18.37
Second Quarter	$ 25.03	$ 21.25
First Quarter	$ 25.30	$ 19.32
2013:		
Fourth Quarter	$ 24.97	$ 21.20
Third Quarter	$ 24.24	$ 20.00
Second Quarter	$ 30.28	$ 23.38
First Quarter	$ 30.03	$ 21.88

As of February 18, 2015, there were 33 registered holders of record of the common stock and 4,989 beneficial holders, based on information obtained from our transfer agent.

Dividends

We have never declared or paid dividends on our capital stock. Our board of directors may consider adopting a dividend policy in the future. Any determinations by us to pay cash dividends on our common stock in the future will be based primarily upon our financial condition, results of operations, business requirements, tax considerations and our board of directors' continuing determination that the declaration of dividends under the dividend policy are in the best interests of our stockholders and are in compliance with all laws and agreements applicable to the dividend program. In the absence of such a policy, we intend to retain future earnings to finance the operation and expansion of our business. Our financing arrangements also contain restrictions on our ability to pay cash dividends.

Issuer Purchases of Equity Securities

Period	Total Number of Shares (or Units) Purchased (1)	Average Price Paid per Share (or Unit) (1)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2014—October 31, 2014	—	$ —	—	17,506
November 1, 2014—November 30, 2014	235	20.62	—	17,506
December 1, 2014—December 31, 2014 2014	—	—	—	17,506
Total	235	$ 20.62	—	17,506

(1) During the three months ended December 31, 2014, we withheld 235 shares of common stock, at an average price of $20.62 per share, to satisfy tax obligations of certain of our employees upon the vesting of restricted stock awards under the 2007 Equity Incentive Plan.

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Performance Graph

The graph below compares cumulative shareholder returns on our common stock as compared with the Russell 2000 Stock Index and the Dow Jones Transportation Stock Index for the period from December 31, 2009 to December 31, 2014. The graph assumes an investment of $100 as of December 31, 2009. The stock performance shown on the performance graph below is not necessarily indicative of future performance.

	Returns as of December 31,					
Company/Index	Dec. 31, 2009	2010	2011	2012	2013	2014
CAI International, Inc.	$ 100	$ 217	$ 171	$ 243	$ 261	$ 257
Russell 2000 Index	100	125	118	136	186	193
Dow Jones Transportation Index	100	125	122	129	181	223

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ITEM 6.SELECTED FINANCIAL DATA

The selected financial data presented below have been derived from our audited consolidated financial statements. Historical results are not necessarily indicative of the results of operations to be expected in future periods. You should read the selected consolidated financial data and operating data presented below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

Consolidated Statement of Operations Data

	Year Ended December 31,				
	2014	2013	2012	2011	2010
(Dollars in thousands, except per share data)					
Revenue					
Rental revenue	$ 212,259	$ 196,591	$ 152,982	$ 106,694	$ 64,892
Management fee revenue	6,497	7,866	12,094	12,957	10,348
Gain on sale of equipment portfolios	-	-	1,256	2,345	614
Finance lease income	8,833	7,948	7,593	3,710	2,045
Total revenue	227,589	212,405	173,925	125,706	77,899
Operating expenses					
Depreciation of rental equipment	77,976	67,109	48,352	33,633	20,807
Amortization of intangible assets	383	780	902	1,254	1,377
Gain on disposition of used rental equipment	(6,522)	(7,356)	(12,445)	(13,374)	(9,112)
Storage, handling and other expenses	26,043	19,257	9,402	5,513	6,170
Marketing, general and administrative expenses	26,155	23,848	24,658	21,009	21,218
Loss (gain) on foreign exchange	367	82	170	(354)	513
Total operating expenses	124,402	103,720	71,039	47,681	40,973
Operating income	103,187	108,685	102,886	78,025	36,926
Net interest expense	35,611	37,108	28,787	16,127	5,169
Net income before income taxes and non-controlling interest	67,576	71,577	74,099	61,898	31,757
Income tax expense	7,191	7,057	9,818	11,084	3,555
Net income	60,385	64,520	64,281	50,814	28,202
Net income attributable to non-controlling interest	(111)	(594)	(816)	(625)	181

Net income attributable to CAI common stockholders	$ 60,274	$ 63,926	$ 63,465	$ 50,189	$ 28,383
Net income per share attributable to CAI common stockholders					
Basic	$ 2.91	$ 2.89	$ 3.26	$ 2.60	$ 1.58
Diluted	$ 2.85	$ 2.82	$ 3.18	$ 2.55	$ 1.56
Weighted average shares outstanding					
Basic	20,732	22,157	19,495	19,295	17,974
Diluted	21,155	22,672	19,945	19,693	18,203
Other Financial Data					
EBITDA (unaudited)(1)	$ 181,910	$ 176,502	$ 151,821	$ 112,732	$ 59,548
Adjusted EBITDA (unaudited)(1)	195,818	188,831	160,579	118,812	64,881
Purchase of equipment	307,283	312,144	524,354	491,780	204,565
Net proceeds from sale of equipment portfolios	-	-	10,320	24,886	12,367

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Consolidated Balance Sheet Data

	As of December 31, 2014	2013	2012	2011	2010
(Dollars in thousands)					
Cash	$ 62,053 *	$ 54,994 *	$ 22,047 *	$ 14,677 *	$ 14,393
Rental equipment, net	1,564,777	1,465,092	1,210,234	841,847	530,939
Net investment in direct finance leases	94,964	81,208	85,554	37,749	11,834
Total assets	1,795,840	1,675,589	1,387,941	953,368	613,452
Debt	1,264,536	1,137,995	957,360	621,050	260,547
Total liabilities	1,352,935	1,260,463	1,041,096	704,632	415,778
Total CAI stockholders' equity	442,116	414,532	346,845	230,036	179,599
*Includes restricted cash of $8,232, $9,253, $4,376 and $599 at December 31, 2014, 2013, 2012 and 2011, respectively.					
Selected Operating Data (unaudited):					
Owned container fleet in TEUs (2)	934,101	860,729	704,417	470,401	347,973
Managed container fleet in TEUs (2)	235,538	283,725	359,133	458,254	478,608
	1,169,639	1,144,454	1,063,550	928,655	826,581
Owned container fleet in CEUs (3)	961,244	903,713	745,966	491,076	338,028
Managed container fleet in CEUs (3)	214,432	262,071	331,017	414,475	425,913
	1,175,676	1,165,784	1,076,983	905,551	763,941
Owned railcar fleet in units	2,361	1,804	1,456	-	-
Percentage of on-lease container fleet on long-term leases (4)	73.2 %	74.9 %	70.5 %	78.7 %	75.8 %
Percentage of on-lease container fleet on short-term leases (4)	20.0 %	20.3 %	23.4 %	17.4 %	21.7 %
Percentage of on-lease container fleet on finance leases (4)	6.8 %	4.8 %	6.1 %	3.9 %	2.5 %
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
	91.5 %	91.8 %	94.2 %	97.6 %	94.8 %

Average container fleet utilization in TEUs (5)										
Average container fleet utilization in CEUs (6)	92.3	%	92.7	%	94.7	%	97.8	%	94.6	%
Average railcar fleet utilization (7)	95.9	%	94.1	%	81.6	%	-	%	-	%

(1) EBITDA is defined as net income before interest, income taxes, depreciation and amortization of intangible assets. Adjusted EBITDA is EBITDA plus principal payments from direct finance leases (DFL) less certain non-recurring items. We believe adjusted EBITDA is helpful in understanding our past financial performance as a supplement to net income and other performance measures calculated in conformity with accounting principles generally accepted in the United States (GAAP). Our management believes that adjusted EBITDA is useful to investors in evaluating our operating performance because it provides a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies in our industry. EBITDA and adjusted EBITDA have limitations as analytical tools, which you should not consider in isolation or as substitutes for any measure reported under GAAP. Adjusted EBITDA’s usefulness as a performance measure as compared to net income is limited by the fact that EBITDA excludes the impact of interest expense, depreciation and amortization expense and taxes, and additionally excludes principal payments from DFL and certain non-recurring items in the case of adjusted EBITDA. We borrow money in order to finance our operations; therefore, interest expense is a necessary element of our costs and ability to generate revenue. Similarly, our use of capital assets makes depreciation and amortization expense a necessary element of our costs and ability to generate income. In addition, since we are subject to state and federal income taxes, any measure that excludes tax expense has material limitations. Moreover, adjusted EBITDA is not calculated identically by all companies; therefore our presentation of adjusted EBITDA may not be comparable to similarly titled measures of other companies. Due to these limitations, we use adjusted EBITDA as a measure of performance only in conjunction with GAAP measures of performance, such as net income.

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The following table provides a reconciliation of EBITDA and adjusted EBITDA to net income, the most comparable performance measure under GAAP (in thousands):

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Net income attributable to CAI common stockholders	$ 60,274	$ 63,926	$ 63,465	$ 50,189	$ 28,383
Net interest expense	35,611	37,108	28,787	16,127	5,169
Depreciation	78,451	67,631	48,849	34,078	21,064
Amortization of intangible assets	383	780	902	1,254	1,377
Income tax expense	7,191	7,057	9,818	11,084	3,555
EBITDA	181,910	176,502	151,821	112,732	59,548
Principal payments from direct finance leases	16,319	12,329	8,758	6,080	5,333
Non-recurring net settlement received from customer	(2,411)	-	-	-	-
Adjusted EBITDA	$ 195,818	$ 188,831	$ 160,579	$ 118,812	$ 64,881

(2) Reflects the total number of TEUs in our managed or owned equipment fleet, as applicable, as of the end of the period indicated, including units held for sale and units we have purchased but held at the manufacturer.
(3) Reflects the total number of CEUs in our managed or owned equipment fleet, as applicable, as of the end of the period indicated, including units held for sale and units we have purchased but held at the manufacturer.
(4) Long-term leases comprise leases that had a contractual term in excess of twelve months at the time of inception of the leases, including leases that permit cancellation by the lessee within 12 months if penalties are paid, and leases that have exceeded their initial contractual term of 12 months or greater. Short-term leases comprise leases that had a contractual term of 12 months or less at the time of inception of the leases.
(5) Reflects the average number of TEUs in our equipment fleet on lease as a percentage of total TEUs available for lease. In calculating TEUs available for lease, we exclude units for sale and units held at the manufacturer that we have purchased.
(6) Reflects the average number of CEUs in our equipment fleet on lease as a percentage of total CEUs available for lease. In calculating CEUs available for lease, we exclude units for sale and units held at the manufacturer that we have purchased.
(7) Reflects the average number of units in our railcar fleet on lease as a percentage of total units available for lease. In calculating units available for lease, we exclude units for sale and units held at the manufacturer that we have purchased.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and related notes thereto, included elsewhere in this Annual Report on Form 10-K. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results may differ materially from those contained in or implied by any forward-looking statements. See "Special Note Regarding Forward-Looking Statements." Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in Item 1A. "Risk Factors."

Unless the context requires otherwise, references to "CAI," the "Company," "we," "us" or "our" in this Annual Report on Form 10-K refer to CAI International, Inc. and its subsidiaries.

Overview

We are one of the world's leading transportation finance and logistics companies. We purchase equipment, which we lease primarily to container shipping lines, freight forwarders and others and either retain as part of our owned fleet or sell to third-party investors for whom we then provide management services. In operating our fleet, we lease, re-lease and dispose of equipment and contract for the repair, repositioning and storage of equipment. As of December 31, 2014, our container fleet comprised 1,175,656 CEUs, 81.8% of which represented our owned fleet and 18.2% of which represented our managed fleet. In addition, we also own 2,361 railcars, which we lease within North America primarily to railroad transport companies.

Our revenue comprises rental revenue and finance lease income from our owned fleet, and gain on sale of equipment portfolios and management fee revenue for managing equipment for third-party investors.

Our equipment rental revenue depends primarily upon a combination of: (1) the number of units in our owned fleet; (2) the utilization level of equipment in our owned fleet; and (3) the per diem rates charged under each equipment lease. The same factors in our managed fleet affect the amount of our management fee revenue. The number of CEUs in our fleet varies over time as we purchase new equipment based on prevailing market conditions during the year, sell portfolios of equipment to third-party investors and sell used equipment to parties in the secondary resale market.

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Key Metrics

Utilization. We measure container utilization on the basis of the average number of TEUs and CEUs on lease expressed as a percentage of our total container fleet available for lease. We calculate TEUs and CEUs available for lease by excluding containers that have been manufactured for us but have not been delivered and containers designated as held-for-sale units. Our utilization is primarily driven by the overall level of equipment demand, the location of our available equipment and the quality of our relationships with equipment lessees. The location of available equipment is critical because equipment available in high-demand locations is more readily leased and is typically leased on more favorable terms than equipment available in low-demand locations.

The equipment leasing market is highly competitive. As such, our relationships with our equipment lessees are important to ensure that container shipping lines continue to select us as one of their providers of leased equipment. Our average container fleet utilization rate in TEUs for the year ended December 31, 2014 was 91.5% compared to 91.8% and 94.2% for the years ended December 31, 2013 and 2012, respectively. Our average container fleet utilization rate in CEUs for the year ended December 31, 2014 was 92.3% compared to 92.7% and 94.7% for the years ended December 31, 2013 and 2012, respectively. The decrease in our average fleet utilization from 2012 was primarily attributable to slower growth in world trade and an increase in the supply of equipment. Our utilization rate may increase or decrease depending on future global economic conditions and the additional supply of new equipment.

Per Diem Rates. The per diem rate for a lease is set at the time we enter into a lease agreement. Our long-term per diem rate has historically been strongly influenced by new equipment pricing, interest rates, the balance of supply and demand for equipment at a particular time and location, our estimate of the residual value of the equipment at the end of the lease, the type and age of the equipment being leased, purchasing activities of equipment by container shipping lines and efficiencies in container utilization by container shipping lines. The overall average per diem rates for equipment in our owned fleet and in the portfolios of equipment comprising our managed fleet do not change significantly in response to changes in new equipment prices because existing lease agreements can only be re-priced upon the expiration of the lease.

Revenue

Our revenue comprises rental revenue, management fee revenue, gain on sale of equipment portfolios and finance lease income.

Rental Revenue. We generate rental revenue by leasing our owned equipment primarily to container shipping lines. Approximately 95% of our rental revenue is derived from rental of equipment. Equipment rental revenue comprises monthly lease payments due under the lease agreements together with payments for other charges set forth in the leases, such as handling fees, drop-off charges and repair charges.

Management Fee Revenue. Management fee revenue is generated by our management services, which include the leasing, re-leasing, repair, repositioning, storage and disposition of equipment. We provide these management services pursuant to management agreements with third-party investors that purchase portfolios of equipment from us. Under these agreements, which have multiple year terms, we earn fees for the management of the equipment and a commission, or a managed units' sales fee, upon disposition of equipment under management. Our management fees are calculated as a percentage of net operating income for each managed unit, which is calculated as the lease payment and any other revenue attributable to a specific unit owned by the third-party investor under a lease, minus operating expenses related to the unit, excluding the third-party investor's depreciation and financing expense. The management fee percentage varies based upon the type of lease and the terms of the management agreement. Management fee percentages for long-term leases are generally lower than management fee percentages for short-term leases because less management time is required to manage long-term leases. Managed units' sales fees are equal to a fixed dollar amount or based upon a percentage of the sales price.

Gain on Sale of Equipment Portfolios. Gain on sale of equipment portfolios is generated when we sell equipment, most of which are on lease at the time of sale, to third-party investors. Historically, we have entered into management agreements with third-party investors to manage portfolios of equipment that we have sold to them. The amount of revenue we recognize on these sales of equipment is equal to the difference between the cash we receive from third-party investors and the net book value of the equipment sold. We rely upon our borrowing capacity under our credit facilities for the flexibility to hold equipment until we sell them to third-party investors. We have historically been able to sell leased equipment to third-party investors at a gain, and we have typically recognized higher revenue from gain on sale of equipment portfolios in periods of rising equipment prices. Because we enter into firm purchase orders for equipment before we find lessees for the equipment, there is a risk that the time necessary to lease the equipment may be longer than we anticipate or that the price that third-party investors are willing to pay for portfolios of equipment may decline before we take delivery.

Finance Lease Income. A small percentage of our total fleet is subject to finance leases. Under a finance lease, the lessee's payments consist of principal and interest components. The interest component is recognized as finance lease income. Lessees under our finance leases have the substantive risks and rewards of equipment ownership and may have the option to purchase the equipment at the end of the lease term for a nominal amount.

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Operating Expenses

Our operating expenses are primarily depreciation of rental equipment, amortization of intangible assets, storage, handling and other expenses applicable to our owned equipment, as well as marketing, general and administrative expenses for our total fleet.

We depreciate our containers on a straight line basis over a period ranging from 12 to 15 years to a fixed estimated residual value depending on the type of container (See Note 2(d) in our consolidated financial statements included in this Annual Report on Form 10-K). We regularly assess both the estimated useful life of our containers and the expected residual values, and, when warranted, adjust our depreciation estimate accordingly. Railcar equipment is depreciated over its estimated useful life of between 40 and 43 years to its estimated residual value using the straight line method. Depreciation expense for rental equipment will vary over time based upon the number and the purchase price of our owned equipment.

Storage, handling and other expenses are operating costs of our owned fleet. Storage and handling expenses occur when lessees drop off equipment at depots at the end of a lease. Storage and handling expenses vary significantly by location. Other expenses include repair expenses, which are the result of normal wear and tear on the equipment, and repositioning expenses, which are incurred when we contract to move equipment from locations where our inventories exceed actual or expected demand to locations with higher demand. Storage, handling and other expenses are directly related to the number of units in our owned fleet and inversely related to our utilization rate for those units: as utilization increases, we typically have lower storage, handling and repositioning expenses.

Our marketing, general and administrative expenses are primarily employee-related costs such as salary, bonus and commission expenses, employee benefits, rent, allowance for doubtful accounts and travel and entertainment costs, as well as expenses incurred for outside services such as legal, consulting and audit-related fees.

Our operating expenses are offset by the gain on disposition of used rental equipment. This gain is the result of our sale of older used equipment in the secondary resale market and is the difference between: (1) the cash we receive for these units, less selling expenses; and (2) the net book value of the units.

Results of Operations

The following table summarizes our results of operations for the three years ended December 31, 2014, 2013 and 2012 (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Revenue			
Rental revenue	$ 212,259	$ 196,591	$ 152,982
Management fee revenue	6,497	7,866	12,094
Gain on sale of equipment portfolios	-	-	1,256
Finance lease income	8,833	7,948	7,593
Total revenue	227,589	212,405	173,925

Operating expenses			
Depreciation of rental equipment	77,976	67,109	48,352
Amortization of intangible assets	383	780	902
Gain on disposition of used rental equipment	(6,522)	(7,356)	(12,445)
Storage, handling and other expenses	26,043	19,257	9,402
Marketing, general and administrative expenses	26,155	23,848	24,658
Loss on foreign exchange	367	82	170
Total operating expenses	124,402	103,720	71,039
Operating income	103,187	108,685	102,886
Net interest expense	35,611	37,108	28,787
Net income before income taxes and non-controlling interest	67,576	71,577	74,099
Income tax expense	7,191	7,057	9,818
Net income	60,385	64,520	64,281
Net income attributable to non-controlling interest	(111)	(594)	(816)
Net income attributable to CAI common stockholders	$ 60,274	$ 63,926	$ 63,465

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Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue. The above table shows the composition of our revenue. The following discussion explains the significant changes in the composition of our total revenue for the year ended December 31, 2014 compared to the year ended December 31, 2013:

Rental Revenue. Rental revenue increased $15.7 million, or 8%, to $212.3 million for the year ended December 31, 2014, from $196.6 million for the year ended December 31, 2013. This was primarily due to a $20.0 million increase in rental revenue attributable to an 11% increase in the average number of CEUs of owned containers on lease, a $3.2 million increase in CAI Rail revenue as a result of entering into additional rail business during 2013 and 2014 and receipt of a $2.6 million settlement from a customer during the year, partially offset by a $7.6 million decrease in revenue resulting from a 4% decrease in average owned container per diem rental rates. We made investments in containers during the year ended December 31, 2014 which increased the average size of the owned fleet by 11%, although the impact on rental revenue was partially offset by a reduction in the utilization of our owned fleet, on a CEU basis, from 94.1% in the year ended December 31, 2013 to 93.7% in the year ended December 31, 2014. The reduction in average container per diem rental rates has been caused by competitive market pressure, as well as our investment in used containers through sale and leaseback transactions and the acquisition of container portfolios from our managed fleet. Used containers are purchased at a lower price, and command a lower per diem rental rate, than new containers. Approximately 15% of our investment in containers during the last twelve months was in used containers.

Management Fee Revenue. Management fee revenue for the year ended December 31, 2014 was $6.5 million, a decrease of $1.4 million, or 17%, from $7.9 million for the year ended December 31, 2013. An 18% reduction in the size of the on-lease managed container fleet, and a decrease of 4% in average per diem rates in our managed fleet for the year ended December 31, 2014 compared to the year ended December 31, 2013, was partially offset by increased commission earned on the volume of used equipment sold from the management fleet.

The size of our managed fleet has decreased in the past several years as market conditions have favored the purchase of container portfolios from our managed container fleet rather than establishing new portfolios. We continue to believe the management of equipment for third party investors is beneficial to our company and we will continue to pursue those opportunities. At the same time, based on market conditions, we will continue to pursue the purchase of container portfolios if attractive opportunities present themselves. Consequently, market conditions will dictate whether there will be net additions or subtractions from our managed fleet.

Finance Lease Income. Finance lease income increased by $0.9 million, or 11%, to $8.8 million during the year ended December 31, 2014, from $7.9 million during the year ended December 31, 2013, reflecting the additional finance leases entered into during the last 12 months.

Expenses. The following discussion explains the significant changes in expenses for the year ended December 31, 2014 compared to the year ended December 31, 2013:

Depreciation of Rental Equipment. Depreciation of rental equipment increased by $10.9 million, or 16%, to $78.0 million for the year ended December 31, 2014, from $67.1 million for the year ended December 31, 2013. This increase was primarily attributable to an 11% increase in the size of our owned container fleet, an increase of $0.8 million in depreciation attributable to CAI Rail, reflecting the increase in size of our railcar fleet, and the reclassification of certain leases from financing to operating during the year ended December 31, 2013.

Amortization of Intangible Assets. Amortization of intangible assets decreased $0.4 million, or 51%, to $0.4 million for the year ended December 31, 2014, from $0.8 million for the year ended December 31, 2013. The decrease was due to certain intangible assets that became fully amortized during the third quarter of 2013.

Gain on Disposition of Used Rental Equipment. Gain on sale of used rental equipment decreased $0.8 million to $6.5 million for the year ended December 31, 2014, an 11% decrease from a gain of $7.4 million for the year ended December 31, 2013. We sold more used containers at a lower average price and margin during the year ended December 31, 2014 compared to the year ended December 31, 2013.

Storage, Handling and Other Expenses. Storage, handling and other expenses increased by $6.8 million, or 35%, to $26.0 million for the year ended December 31, 2014, from $19.3 million for the year ended December 31, 2013. The average size of our owned container fleet increased by 11% compared to the year ended December 31, 2013 and the number of off-lease and for sale containers in our owned fleet increased by 39% compared to the previous year, resulting in higher storage and related costs. Handling charges also increased by $1.2 million, compared to the year ended December 31, 2013, due to relocating off-lease units to higher demand areas for sale or lease.

Marketing, General and Administrative Expense. MG&A expense increased by $2.3 million, or 10%, to $26.2 million for the year ended December 31, 2014, from $23.8 million for the year ended December 31, 2013. The increase was primarily a result of higher professional fees incurred in the current year and higher employee-related costs as a result of an increase in headcount, particularly in our Rail business.

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Loss on Foreign Exchange. We recorded a loss of $0.4 million on foreign exchange transactions for the year ended December 31, 2014 compared to a loss of $0.1 million during the year ended December 31, 2013. Gains and losses on foreign currency primarily occur when foreign denominated financial assets and liabilities are either settled or remeasured in U.S. dollars. The loss on foreign exchange for the year ended December 31, 2014 was primarily the result of movements in the U.S. dollar exchange rate against the Euro.

Net Interest Expense. Net interest expense of $35.6 million for the year ended December 31, 2014 decreased $1.5 million, or 4%, from $37.1 million for the year ended December 31, 2013. The decrease in net interest expense was due primarily to a decrease of $0.7 million in the write-off of prepaid financing costs related to refinancing arrangements and a reduction in the average interest rate on outstanding debt, partially offset by an increase in our average loan principal balance as we continue to increase our borrowings to finance our acquisition of additional rental equipment.

Income Tax Expense. Income tax expense of $7.2 million for the year ended December 31, 2014 increased $0.1 million from $7.1 million for the year ended December 31, 2013. The effective tax rate for the year ended December 31, 2014 was 10.6% compared to an effective tax rate of 9.9% for the year ended December 31, 2013. The increase in rate is primarily attributable to a non-cash charge of $0.6 million and an increase in tax arising from the gain on sale of units previously on lease to a customer. The majority of these units were owned by the parent company, as opposed to subsidiary companies in Barbados or Bermuda, and thus were subject to U.S. tax. Excluding the prior period charge and the sale of these units, the full year effective tax rate for the year ended December 31, 2014 would have been approximately 9.0%. The proportion of our on-lease owned fleet owned by subsidiary companies in Barbados and Bermuda, where income tax rates are lower than in the U.S., increased from approximately 90% in the year ended December 31, 2013 to 92% in the year ended December 31, 2014. The increase in the proportion of the fleet owned by our international subsidiaries has led to a corresponding increase in the proportion of pretax income generated in lower tax jurisdictions, resulting in a decrease in the effective tax rate. Note 9 of to our consolidated financial statements included in this Annual Report on Form 10-K includes a reconciliation between the tax expense calculated at the statutory U.S. income tax rate and the actual tax expense for the years ended December 31, 2014 and 2013. Foreign tax differentials for those years of $18.0 million and $19.0 million, respectively, are the primary reasons for the effective tax rates in both years being below the statutory U.S. rate.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue. The above table shows the composition of our revenue. The following discussion explains the significant changes in the composition of our total revenue for the year ended December 31, 2013 compared to the year ended December 31, 2012:

Rental Revenue. Rental revenue increased $43.6 million, or 29%, to $196.6 million for the year ended December 31, 2013, from $153.0 million for the year ended December 31, 2012. This was primarily due to a $48.3 million increase in rental revenue attributable to a 35% increase in the average number of CEUs of owned containers on lease and a $4.2 million increase in CAI Rail revenue as a result of entering into additional rail business during 2013, partly offset by a $12.0 million decrease in revenue resulting from an 8% decrease in average container per diem rental rates. We made investments in containers during the year ended December 31, 2013 which increased the average size of the owned fleet by 41%, although the impact on rental revenue was partially offset by a reduction in the utilization of our owned fleet from 97.3% in the year ended December 31, 2012 to 94.1% in the year ended December 31, 2013. The reduction in average container per diem rental rates is primarily a result of our significant investment in used containers during the last twelve months through sale and leaseback transactions and the acquisition of container portfolios from our managed fleet. Used containers are purchased at a lower price, and command a lower per diem rental rate, than new containers. Approximately 40% of our investment in containers during the last twelve months was in used containers.

Management Fee Revenue. Management fee revenue for the year ended December 31, 2013 was $7.9 million, a decrease of $4.2 million, or 35%, from $12.1 million for the year ended December 31, 2012. The decrease was primarily due to a 33% reduction in the size of the on-lease managed container fleet as a result of our purchase of previously managed container portfolios.

The size of our managed fleet has decreased in the past several years as market conditions have favored the purchase of container portfolios from our managed container fleet rather than establishing new portfolios. We continue to believe that the management of equipment for third party investors is beneficial to our company and we will continue to pursue those opportunities. At the same time, based on market conditions, we will continue to pursue the purchase of container portfolios if attractive opportunities present themselves. Consequently, market conditions will dictate whether there will be net additions or subtractions from our managed fleet.

Gain on Sale of Equipment Portfolios. There was no gain on sale of equipment portfolios for the year ended December 31, 2013, compared to a $1.3 million gain for the year ended December 31, 2012. We did not sell any equipment to investors during the year ended December 31, 2013.

Finance Lease Income. Finance lease income increased by $0.4 million, or 5%, to $7.9 million during the year ended December 31, 2013, from $7.6 million during the year ended December 31, 2012. The increase was primarily attributable to new finance lease contracts entered into during 2013, offset by the reclassification of certain leases from finance to operating at the end of the second quarter of 2013.

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Expenses. The following discussion explains the significant changes in expenses for the year ended December 31, 2013 compared to the year ended December 31, 2012:

Depreciation of Rental Equipment. Depreciation of rental equipment increased by $18.8 million, or 39%, to $67.1 million for the year ended December 31, 2013, from $48.4 million for the year ended December 31, 2012. This increase was primarily attributable to a 40% increase in the size of our owned container fleet, and an increase of $1.1 million in depreciation attributable to CAI Rail.

Amortization of Intangible Assets. Amortization of intangible assets decreased $0.1 million, or 14%, to $0.8 million for the year ended December 31, 2013, from $0.9 million for the year ended December 31, 2012. The decrease was due to certain intangible assets that became fully amortized during the third quarter of 2013.

Gain on Disposition of Used Rental Equipment. Gain on sale of used rental equipment decreased $5.1 million to $7.4 million for the year ended December 31, 2013, a 41% decrease from a gain of $12.4 million for the year ended December 31, 2012. We sold more used containers at a lower average price and margin during the year ended December 31, 2013 compared to the year ended December 31, 2012.

Storage, Handling and Other Expenses. Storage, handling and other expenses increased by $9.9 million, or 105%, to $19.3 million for the year ended December 31, 2013, from $9.4 million for the year ended December 31, 2012. The increase in the size of our owned container fleet and a 3 percentage point decrease in utilization of our owned containers have resulted in an increase in the number of containers in storage during the year ended December 31, 2013 leading to higher storage, handling, and other related charges. We also incurred an increase of $1.1 million in repair and maintenance costs related to our rail business in the year ended December 31, 2013.

Marketing, General and Administrative Expense. MG&A expense decreased by $0.8 million, or 3%, to $23.8 million for the year ended December 31, 2013, from $24.7 million for the year ended December 31, 2012. The decrease was primarily due to a $0.8 million decrease in personnel related costs.

Loss on Foreign Exchange. We recorded a loss of $0.1 million on foreign exchange transactions for the year ended December 31, 2013 compared to a loss of $0.2 million during the year ended December 31, 2012. Gains and losses on foreign currency primarily occur when foreign denominated financial assets and liabilities are either settled or re-measured in U.S. dollars. The loss on foreign exchange for the year ended December 31, 2013 was primarily the result of movements in the U.S. dollar exchange rate against the Euro.

Net Interest Expense. Net interest expense of $37.1 million for the year ended December 31, 2013 increased $8.3 million, or 29%, from $28.9 million for the year ended December 31, 2012. The increase in net interest expense was due primarily to an increase in the average principal balance of our debt and the write-off of $1.1 million of prepaid financing costs as a result of a number of refinancing arrangements that we completed during the first quarter of 2013.

Income Tax Expense. Income tax expense of $7.1 million for the year ended December 31, 2013 decreased $2.8 million from $9.8 million for the year ended December 31, 2012. The effective tax rate for the year ended December 31, 2013 was 9.9% compared to an effective tax rate of 13.2% for the year ended December 31, 2012. The proportion of our on-lease owned fleet owned by subsidiary companies in Barbados and Bermuda, where income tax rates are lower than in the U.S., increased from approximately 86% in the year ended December 31, 2012 to 90% in the year ended December 31, 2013. The increase in the proportion of the fleet owned by our international subsidiaries has led to a corresponding increase in the proportion of pretax income generated in lower tax jurisdictions, resulting in a decrease in the effective tax rate. Note 9 of to our consolidated financial statements included in this Annual Report on

Form 10-K includes a reconciliation between the tax expense calculated at the statutory U.S. income tax rate and the actual tax expense for the years ended December 31, 2013 and 2012. Foreign tax differentials for those years of $19.0 million and $17.3 million, respectively, are the primary reasons for the effective tax rates in both years being below the statutory U.S. rate.

Liquidity and Capital Resources

Our principal sources of liquidity have historically been cash flows from operations, sales of equipment portfolios, borrowings from financial institutions and sale of our stock. We believe that cash flow from operations, future sales of equipment portfolios and borrowing availability under our credit facilities will be sufficient to meet our liquidity needs for at least the next 12 months.

We have typically funded a significant portion of the purchase price for new equipment through borrowings under our credit facilities. However, from time to time we have funded new equipment acquisitions through the use of working capital.

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Revolving Credit Facilities

(i) On March 15, 2013, we entered into a Third Amended and Restated Revolving Credit Agreement with a syndicate of banks to finance the acquisition of container rental equipment and for general working capital purposes. The Third Amended and Restated Revolving Credit Agreement refinanced our prior revolving credit facility to reduce the interest rate, increase the facility commitment and revise certain covenants to provide us with additional flexibility. As of December 31, 2014, the maximum commitment under our revolving credit facility was $760.0 million, which may be increased to a maximum of $960.0 million under certain conditions described in the agreement. As of December 31, 2014, we had an outstanding balance of $289.0 million and availability of $470.9 million under our revolving credit facility (net of $0.1 million in letters of credit), subject to our ability to meet the collateral requirements under the agreement governing the facility. The entire amount of the facility drawn at any time plus accrued interest and fees is callable on demand in the event of certain specified events of default.

There is a commitment fee on the unused amount of the total commitment, payable quarterly in arrears. The agreement provides that swing line loans (short-term borrowings of up to $10.0 million in the aggregate that are payable within 10 business days or at maturity date, whichever comes earlier) and standby letters of credit (up to $15.0 million in the aggregate) will be available to us. These credit commitments are part of, and not in addition to, the maximum credit commitment. Borrowings under this credit facility bear interest at a variable rate. The interest rates vary depending upon whether the loans are characterized as Base Rate loans or Eurodollar Rate loans as defined in the revolving credit facility. Interest rates are based on LIBOR for Eurodollar loans and Base Rate for Base Rate loans. As of December 31, 2014 the average interest rate on our revolving credit facility was 1.9%.

On January 30, 2015, we entered into an amendment to the Third Amended and Restated Revolving Credit Agreement with a consortium of banks, pursuant to which the prior revolving credit facility was refinanced. The agreement was amended to extend the maturity date to March 15, 2020, reduce the interest rate, increase the commitment level from $760.0 million to $775.0 million, and revise certain of the covenants and restrictions under the prior facility to provide us with additional flexibility.

We use our revolving credit facility primarily to fund the purchase of containers and for general working capital needs. As of December 31, 2014, we had commitments to purchase $122.5 million of rental equipment and had rental equipment payable of $7.4 million. We have typically used our cash flow from operations and the proceeds from sales of equipment portfolios to third-party investors to repay our revolving credit facility. As we expand our owned fleet, our revolving credit facility balance will be higher and will result in higher interest expense.

(ii) On July 25, 2014, we entered into an Amended and Restated Revolving Credit Agreement for CAI Rail with a consortium of banks to finance the acquisition of railcars. As of December 31, 2014, the maximum credit commitment under the revolving line of credit was $250.0 million. CAI Rail’s revolving credit facility may be increased to a maximum of $325.0 million, in accordance with the terms of the agreement. Borrowings under this credit facility bear interest at a variable rate. The interest rates vary depending upon whether the loans are characterized as Base Rate loans or Eurodollar Rate loans as defined in the revolving credit agreement. Interest rates are based on LIBOR for Eurodollar loans and Base Rate for Base Rate loans. As of December 31, 2014, the average interest rate under the agreement was 1.9%.

As of December 31, 2014, the outstanding balance under CAI Rail’s revolving credit facility was $61.8 million. As of December 31, 2014, we had $188.2 million in availability under the facility, subject to our ability to meet the collateral requirements under the agreement governing the facility. The entire amount of the facility drawn at any time plus accrued interest and fees is callable on demand in the event of certain specified events of default. The revolving credit facility for CAI Rail will terminate in July 2019.

Term Loan Facilities

(i) On March 22, 2013, we entered into a $30.0 million five-year loan agreement with Development Bank of Japan (DBJ). The loan is payable in 19 quarterly installments of $0.5 million starting July 31, 2013 and a final payment of $21.5 million on April 30, 2018. The loan bears a variable interest rate based on LIBOR. As of December 31, 2014, the loan had a balance of $27.3 million and an average interest rate of 2.2%.

(ii) On December 20, 2010, we entered into a term loan agreement with a consortium of banks. Under this loan agreement, we were eligible to borrow up to $300.0 million, subject to certain borrowing conditions, which amount is secured by certain assets of our wholly-owned foreign subsidiaries. The loan agreement is an amortizing facility with a term of six years. The interest rates vary depending upon whether the loans are characterized as Base Rate loans or Eurodollar rate loans, as defined in the term loan agreement. The loan bears a variable interest rate based on LIBOR for Eurodollar loans, and Base Rate for Base Rate loans.

On March 28, 2013, the term loan agreement was amended which reduced the principal balance of the loan from $249.4 million to $125.0 million through payment of $124.4 million from the proceeds of the $229.0 million fixed-rate asset-backed notes issued by the Company’s indirect wholly-owned subsidiary, CAL Funding II Limited (see paragraph (ii) of Asset-Backed Notes below).

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On October 1, 2014, we entered into an Amended and Restated Term Loan Agreement with a consortium of banks, pursuant to which the prior loan agreement was refinanced. The amended and restated term loan agreement, which contains similar terms to the prior loan agreement, was amended to, among other things: (a) reduce the borrowing rates from LIBOR plus 2.25% to LIBOR plus 1.6% (per annum) for Eurodollar loans, (b) increase the outstanding loan commitment from $115.0 million to $150.0 million, (c) extend the maturity to October 1, 2019, and (d) revise certain of the covenants and restrictions under the prior loan agreement to provide us with additional flexibility. As of December 31, 2014, the term loan had a balance of $147.8 million and average interest rate of 1.8%.

(iii) On April 11, 2012, we entered into a term loan agreement with a consortium of banks. The agreement, which was amended on August 31, 2012, May 30, 2013 and July 25, 2014, provided for a five-year term loan of up to $142.0 million, subject to certain borrowing conditions, which amount is secured by certain of our assets. The commitment under the loan may be increased to a maximum of $200.0 million, under certain conditions described in the agreement. The outstanding principal amounts under the term loan bear interest based on LIBOR, are amortized quarterly, and require quarterly payments equal to 1.75% multiplied by the outstanding principal amount at such time. The full $142.0 million has been drawn and was primarily used to repay outstanding amounts under the revolving credit facility. All unpaid amounts then outstanding are due and payable on April 11, 2017. As of December 31, 2014, the loan had a balance of $119.3 million and an interest rate of 1.9%.

Asset-Backed Notes

(i) On October 18, 2012, CAL Funding II Limited (CAL II) issued $171.0 million of 3.47% fixed rate asset-backed notes (Series 2012-1 Asset-Backed Notes). Principal and interest on the Series 2102-1 Asset-Backed Notes is payable monthly commencing on November 26, 2012, and the Series 2012-1 Asset-Backed Notes mature in October 2027. The proceeds from the Series 2012-1 Asset-Backed Notes were used to repay part of the Company's borrowings under its senior revolving credit facility. The Series 2012-1 Asset-Backed Notes had a balance of $134.0 million as of December 31, 2014.

(ii) On March 28, 2013, CAL II issued $229 million of 3.35% fixed rate asset-backed notes (Series 2013-1 Asset-Backed Notes). Principal and interest on the Series 2013-1 Asset-Backed Notes are payable monthly commencing on April 25, 2013, and the Series 2013-1 Asset-Backed Notes mature in March 2028. The proceeds from the new Series 2013-1 Asset-Backed Notes were used partly to reduce the balance of the Company's term loan with a consortium of banks as described in paragraph (ii) of Term Loan Facilities above, and to partially pay down the Company's senior revolving credit facility. The Series 2013-1 Asset-Backed Notes had a balance of $188.9 million as of December 31, 2014.

The agreements under each of the asset-backed notes described above require the Company to maintain a restricted cash account to cover payment of the obligations. As of December 31, 2014, the restricted cash account had a balance of $8.2 million.

Other Debt Obligations

On September 13, 2012, our wholly-owned subsidiary, Container Applications Limited (CAL), entered into a Note Purchase Agreement with certain institutional investors, pursuant to which CAL issued $103.0 million of 4.9% Senior Secured Notes due September 13, 2022 (the Notes) to the investors. The Notes are guaranteed by us and secured by certain of our assets and those of CAL.

The Notes bear interest at 4.9% per annum, due and payable semiannually on March 13 and September 13 of each year, commencing on March 13, 2013. In addition, CAL is required to make certain principal payments on March 13 and September 13 of each year, commencing on March 13, 2013. Any unpaid principal and interest is due and payable on September 13, 2022. As of December 31, 2014, the Notes had a balance of $86.5 million.

On May 8, 2014, we entered into a short term uncommitted line of credit agreement. Under this credit agreement, we are eligible to borrow up to $75.0 million, subject to certain borrowing conditions. Loans made under the line of credit are repayable on the earlier of (a) 3 months after the loan is made, and (b) the facility termination date of May 8, 2015. Outstanding loans bear a variable interest rate based on LIBOR. The full $75.0 million has been drawn and was primarily used to repay outstanding amounts under our senior revolving credit facility. As of December 31, 2014, the loan had a balance of $75.0 million, which is due and payable on March 24, 2015. We intend to renew the loan upon its maturity dates. Interest is charged on the outstanding loan at an annual rate of 1.5%.

On June 25, 2014, one of our Japanese investor funds that is consolidated by us as a VIE (see Note 3 to our consolidated financial statements included in this Annual Report on Form 10-K) entered into a term loan agreement with a bank. Under the terms of the agreement, the Japanese investor fund entered into two loans; a five year, amortizing loan of $9.2 million at a fixed interest rate of 2.7%, and a five year, non-amortizing loan of $1.6 million at a variable interest rate based on LIBOR. The debt is secured by assets of the Japanese investor fund, and is subject to certain borrowing conditions set out in the loan agreement. As of December 31, 2014, the term loans held by the Japanese investor fund totaled $9.8 million and had an average interest rate of 2.6%.

As of December 31, 2014, we had collateralized financing obligations totaling $122.6 million (see Note 3 to our consolidated financial statements included in this Annual Report on Form 10-K). The obligations had an average interest rate of 0.8% as of December 31, 2014 with maturity dates between June 2015 and June 2019.

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As of December 31, 2014, we had capital lease obligations of $2.6 million. The underlying obligations are denominated in U.S. Dollars and Euros at floating interest rates averaging 2.3% as of December 31, 2014, with maturity dates between March 2015 and June 2019.

Our term loans, senior secured notes, asset-backed notes, collateralized financing obligations, term loans held by VIEs and capital lease obligations are secured by specific pools of rental equipment and other assets owned by the Company, the underlying leases thereon and the Company's interest in any money received under such contracts.

In addition to customary events of default, our revolving credit facilities and term loans contain restrictive covenants, including limitations on certain liens, indebtedness and investments. In addition, all of our debt facilities contain various restrictive financial and other covenants. The financial covenants in our debt facilities require us to maintain (1) a maximum consolidated funded debt to consolidated tangible net worth ratio of 3.75:1.00; and (2) a minimum fixed charge coverage ratio of 1.20:1.00. As of December 31, 2014, we were in compliance with all of our debt covenants.

Under certain conditions, as defined in our credit agreements with our banks and/or note holders, we are subject to certain cross default provisions that may result in an acceleration of principal repayment under these credit facilities if an uncured default condition were to exist. Our asset-backed notes are not subject to any such cross default provisions.

Securities Registration

On April 29, 2014, we filed a universal shelf registration statement on Form S-3 with the SEC which was declared effective by the SEC on June 19, 2014. Under this shelf registration statement, we may sell various debt and equity securities, or a combination thereof, to be offered from time-to-time up to an aggregate offering price of $300.0 million for all securities. Pursuant to a previously filed registration statement on Form S-3, we sold 2,757,170 shares of our common stock in December 2012 at $19.85 per share and raised approximately $51.5 million (net of commissions and other expenses related to the offering). We used the proceeds from the sale of our common stock to repay part of our senior revolving credit facility.

Cash Flow

The following table sets forth certain cash flow information for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Net income	$ 60,385	$ 64,520	$ 64,281
Adjustments to income	79,302	59,666	42,549
Net cash provided by operating activities	139,687	124,186	106,830
Net cash used in investing activities	(225,355)	(266,806)	(461,219)
Net cash provided by financing activities	95,142	172,101	358,083
Effect on cash of foreign currency translation	(1,394)	(1,411)	(101)

Net increase in cash	8,080	28,070	3,593
Cash at beginning of period	45,741	17,671	14,078
Cash at end of period	$ 53,821	$ 45,741	$ 17,671

Operating Activities Cash Flows

Net cash provided by operating activities of $139.7 million for the year ended December 31, 2014 increased $15.5 million from $124.2 million for the year ended December 31, 2013. The increase was primarily due to a $6.7 million increase in net income as adjusted for depreciation, amortization and other non-cash items, as well as an $8.8 million increase in our net working capital adjustments. Net working capital decreased by $0.6 million in the year ended December 31, 2014, due to a $4.3 million reduction in prepaid expenses and other assets, primarily due to the repayment of a $5.0 million bond, and an increase of $3.0 million in accounts payable, accrued expenses and other liabilities, primarily caused by the timing of payments. These increases to net working capital were offset by a $6.4 million increase to accounts receivable, primarily caused by the timing of receipts, and a decrease of $1.8 million in due to container investors.

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Net cash provided by operating activities of $124.2 million for the year ended December 31, 2013 increased $17.4 million from $106.8 million for the year ended December 31, 2012. The increase was primarily due to a $23.0 million increase in net income as adjusted for depreciation, amortization and other non-cash items, partly offset by a $5.7 million reduction in our net working capital adjustments. Net working capital increased by $9.4 million in the year ended December 31, 2013, due to a $13.7 million decrease in accounts payable, accrued expenses, due to container investors and unearned revenue, primarily caused by the timing of payments, partially offset by a $7.4 million decrease in accounts receivable, reflecting the reduction in the managed fleet during the period.

Investing Activities Cash Flows

Net cash used in investing activities decreased $41.4 million to $225.4 million for the year ended December 31, 2014 from $266.8 million for the year ended December 31, 2013. The decrease in cash usage was primarily attributable to a $32.6 million increase in cash proceeds received from the disposition of used rental equipment, a $4.0 million increase in receipt of principal payments from direct financing leases, and a $4.9 million decrease in the purchase of rental equipment.

Net cash used in investing activities decreased $194.4 million to $266.8 million for the year ended December 31, 2013 from $461.2 million for the year ended December 31, 2012. The decrease in cash usage was primarily attributable to a $212.2 million decrease in the purchase of rental equipment, offset by a decrease of $21.6 million in cash proceeds received from both the sales of equipment portfolios to investors and dispositions of used rental equipment.

Financing Activities Cash Flows

Net cash provided by financing activities of $94.6 million for the year ended December 31, 2014 decreased $77.5 million compared to the year ended December 31, 2013 primarily as a result of lower net borrowings being required to finance the acquisition of rental equipment. During the year ended December 31, 2014, our net cash inflow from borrowings was $127.4 million compared to $181.9 million for the year ended December 31, 2013, reflecting the reduction in investment in rental equipment during 2014 compared to 2013.

Net cash provided by financing activities of $172.1 million for the year ended December 31, 2013 decreased $186.0 million compared to the year ended December 31, 2012 primarily as a result of lower net borrowings being required to finance the acquisition of rental equipment. During the year ended December 31, 2013, our net cash inflow from borrowings was $181.9 million compared to $336.2 million for the year ended December 31, 2012, reflecting the reduction in investment in rental equipment during 2013 compared to 2012.

Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations and commercial commitments by due date as of December 31, 2014 (in thousands):

Payments Due by Period

	Total	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
Total debt obligations:							
Revolving credit facilities	$ 350,769	$ -	$ -	$ -	$ 289,000	$ 61,769	$ -
Short-term line of credit	75,000	75,000	-	-	-	-	-
Term loans	294,370	20,740	20,740	110,240	30,900	111,750	-
Senior secured notes	86,520	8,240	7,175	6,110	6,110	6,110	52,775
Asset-backed notes	322,875	40,000	40,000	40,000	40,000	40,000	122,875
Collateralized financing obligations	122,574	57,390	36,813	18,224	-	10,147	-
Term loans held by VIE	9,845	1,829	1,829	1,829	1,829	2,529	-
Capital lease obligations	2,583	1,015	594	520	357	97	-
Interest on debt and capital lease obligations (1)	114,677	28,696	25,568	22,157	14,235	10,779	13,242
Rental equipment payable	7,381	7,381	-	-	-	-	-
Rent, office facilities and equipment	3,724	1,431	1,174	967	104	48	-
Equipment purchase commitments	122,524	94,997	27,527	-	-	-	-
Total contractual obligations	$ 1,512,842	$ 336,719	$ 161,420	$ 200,047	$ 382,535	$ 243,229	$ 188,892

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(1)Our estimate of interest expense commitment includes $23.1 million relating to our revolving credit facilities, $0.3 million related to our short-term line of credit, $18.4 million relating to our term loans, $23.8 million relating to our senior secured notes, $44.8 million relating to our asset backed notes, $3.4 million relating to our collateralized financing obligations, $0.8 million related to our term loans held by VIEs, and $0.1 million relating to our capital lease obligations. The calculation of interest commitment related to our debt assumes the following weighted average interest rates as of December 31, 2014: revolving credit facilities, 1.9%; short-term line of credit, 1.5%; term loans, 1.9%; senior secured notes, 4.9%; asset backed notes, 3.4%; collateralized financing obligations, 0.8%; term loans held by VIEs, 2.6%; and capital lease obligations, 2.3%. These calculations assume that interest rates will remain at the same level over the next five years. We expect that interest rates will vary over time based upon fluctuations in the underlying indexes upon which these interest rates are based.

See Note 7 to our consolidated financial statements included in this Annual Report on Form 10-K for a description of the terms of our revolving credit facilities, term loans, asset based notes and capital lease obligations.

Off-Balance Sheet Arrangements

As of December 31, 2014, we had no off-balance sheet arrangements or obligations other than noted below. An off-balance sheet arrangement includes any contractual obligation, agreement or transaction arrangement involving an unconsolidated entity under which we would have: (1) retained a contingent interest in transferred assets; (2) an obligation under derivative instruments classified as equity; (3) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us, or that engages in leasing, hedging or research and development services with us; or (4) made guarantees.

We transferred ownership of certain equipment to Japanese container funds which were established by Japan Investment Adviser Co., Ltd. (JIA) and CAIJ, Inc. (CAIJ). CAIJ is an 80%-owned subsidiary of CAI with the remaining 20% owned by JIA. Prior to September 2013, JIA was owned and controlled by a Managing Director of CAIJ. Prior to the purchase of equipment from us, the purchasing entities had received contributions from unrelated Japanese investors, under separate Japanese investment agreements allowed under Japanese commercial laws. The contributions were used to purchase equipment from us. Under the terms of the agreement, the CAI related Japanese entities will manage each of the investments but may outsource all or part of each operation to a third party. Pursuant to its services agreements with investors, the Japanese container funds have outsourced the general management of their operations to CAIJ. The Japanese container funds have also entered into equipment management service agreements and financing arrangements whereby we manage the leasing activity of equipment owned by the Japanese container funds. The profit or loss from each investment will substantially belong to each respective investor, except with respect to certain financing arrangements where the terms of the transaction provide us with an option to purchase the equipment at a fixed price. If we decide to exercise our purchase options and resell the equipment to a third party, then we would realize any profit from the sale. During the third quarter of 2012, we purchased all the equipment legally owned by two consolidated Japanese VIEs. As we previously consolidated these two Japanese VIEs, the purchase of equipment was considered a repurchase of the non-controlling interest for accounting purposes. See Notes 3 and 12 to our consolidated financial statements included in this Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to use judgment in making estimates and assumptions that affect reported amounts of assets and liabilities, the reported amounts of income and expense during the reporting period and the disclosure of contingent assets and liabilities as of the date of the financial statements. We have identified the policies and estimates below as critical to our business operations and the understanding of our results of operations. These policies and estimates are considered critical due to the existence of uncertainty at the time the estimate is made, the likelihood of changes in estimates from period to period and the potential impact that these estimates can have on our financial statements. Significant items subject to such estimates and assumptions include revenue recognition, consolidation of container funds, accounting for rental equipment, allowance for doubtful accounts and income taxes. The following accounting policies and estimates include inherent risks and uncertainties related to judgments and assumptions made by us. Our estimates are based on the relevant information available at the end of each period. Actual results could differ from those estimates.

Revenue Recognition

We provide a range of services to our customers incorporating rental, sale and management of equipment. Revenue for all forms of service is recognized when earned following the guidelines under FASB ASC 605, Revenue Recognition and ASC 840, Leases. Revenue is reported net of any related sales tax.

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Rental Revenue. We recognize revenue from operating leases of our owned equipment as earned over the term of the lease. Where minimum lease payments vary over the lease term, revenue is recognized on a straight-line basis over the term of the lease. We cease recognition of lease revenue if and when a lessee defaults in making timely lease payments or we otherwise determine that future lease payments are not likely to be collected from the lessee. Our determination of the collectability of future lease payments is made by management on the basis of available information, including the current creditworthiness of lessees, historical collection results and review of specific past due receivables. If we experience unexpected payment defaults from our lessees, we will cease revenue recognition for those leases, which will reduce rental revenue.

Finance Lease Income. Finance lease income is recognized using the effective interest method, which generates a constant rate of interest over the period of the lease. The same risks of collectability discussed above apply to our collection of finance lease income. If we experience unexpected payment defaults under our finance leases, we cease revenue recognition for those leases, which will reduce finance lease income.

Management Fee Revenue and Gain on Sale of Equipment Portfolios. In addition to leasing owned equipment, we sell portfolios of equipment to third-party investors. After the date of sale, we generally manage the equipment sold to these third-party investors. As these arrangements contain multiple deliverables (the sale of an asset followed by the provision of management services), we evaluate if the sale of the equipment and the management services are separate units of accounting thereby requiring revenue to be recognized separately for each part of the arrangement. We determine if revenue arrangements with multiple deliverables should be considered separate units of accounting if the deliverables meet both of the following criteria:

a.The delivered item(s) has value to the customer on a standalone basis, that is, it can be sold separately by any vendor or the customer could resell the delivered items on a standalone basis. In the context of the customer's ability to resell the delivered items, this criterion does not require the existence of an observable market for the deliverable.

b.If the arrangement includes a right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in the control of the vendor.

In applying the guidance, separate contracts entered into at or near the same time with the same entity or related parties are presumed to have been negotiated as a package and should be evaluated as a single arrangement in considering whether there are one or more units of accounting.

We evaluate all deliverables in an arrangement at the inception of the arrangement and as each deliverable is delivered to determine whether they represent separate units of accounting. The criteria for dividing an arrangement into separate units of accounting are applied consistently to arrangements with similar characteristics and in similar circumstances. A delivered item that does not qualify as a separate unit of accounting within the arrangement is combined with other undelivered item(s) within the arrangement. The allocation of arrangement consideration and the recognition of revenue is determined for those combined deliverables as a single unit of accounting.

If we conclude that the sale of equipment and the management services can be accounted for separately, we recognize gain on sale of equipment portfolios when the sale of the equipment is completed. The gain is the difference between the sales price and the net book value of the equipment sold.

We recognize revenue from management fees earned under management agreements on a monthly basis. Fees are calculated as a percentage of net operating income, which is revenue from the equipment under management minus direct operating expense related to those units. If a lessee of a managed unit defaults in making timely lease payments or we otherwise determine that future lease payments are not likely to be collected from the lessee, then we will cease to record lease revenue for purposes of our internal record keeping in connection with determining the amount of management fees that we have earned, which in turn will result in reduced management fee revenue.

Consolidation of Container Funds

We regularly perform a review of our container fund arrangements with our investors to determine whether a fund is a variable interest entity (VIE) and whether we have a variable interest that provides us with a controlling financial interest and are the primary beneficiary of the VIE in accordance with ASC 810, Consolidation. If the fund is determined to be a VIE, our analysis identifies the primary beneficiary of the VIE as the entity that meets both of the following criteria under Paragraph 14A of ASC 810:

- The power to direct the activities of a VIE that most significantly impact the entity's economic performance; and
- The obligation to absorb losses of the entity that could be potentially significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

If in our judgment we meet both of the above criteria, we include the VIE's financial statements in our consolidated financial statements as required under ASC 810. The equity attributable to the VIE is shown as a non-controlling interest on our consolidated balance sheet and the after tax result attributable to its operations is shown as net income or loss attributable to non-controlling interest on our consolidated statement of income.

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We currently enter into two types of container fund arrangements with investors which are reviewed under ASC 810, Consolidation. These arrangements include container funds that we manage for investors and container funds that have entered into financing arrangements with investors. Included among several of the funds that we manage, and all of the funds under financing arrangements, are Japanese container funds that were established by a related party under separate investment agreements allowed under Japanese commercial laws. Each of the funds is financed by unrelated Japanese third party investors. (See Notes 3 and 12 to our consolidated financial statements included in this Annual Report on Form 10-K).

Accounting for Rental Equipment

Accounting for rental equipment includes depreciation and impairment testing.

Depreciation. When we acquire equipment, we record its cost on our balance sheet. We then depreciate the equipment over its estimated useful life (which represents the number of years we expect to be able to lease the equipment) to its estimated residual value (which represents the amount we estimate we will recover upon the sale or other disposition of the equipment at the end of its useful life) using the straight line method of depreciation. Our estimates of useful life are based on our actual experience with our owned fleet, and our estimates of residual value are based on a number of factors including disposal price history.

The following table shows the residual values and depreciable lives for each type of equipment:

	Residual Value	Depreciable Life in Years
20-ft. standard dry van container	$ 1,050	13.0
40-ft. standard dry van container	$ 1,300	13.0
40-ft. high cube dry van container	$ 1,650	13.0
20-ft. refrigerated container	$ 2,750	12.0
40-ft. high cube refrigerated container	$ 3,500	12.0

Other specialized equipment is depreciated to its estimated residual value, which ranges from $1,000 to $3,500, over its estimated useful life of between 12.5 years and 15 years.

Railcar equipment is depreciated over its estimated useful life of between 40 and 43 years to its estimated residual value using the straight-line method.

Impairment. On at least an annual basis, we evaluate our rental equipment fleet to determine whether there have been any events or changes in circumstances indicating that the carrying amount of all, or part, of our fleet may not be recoverable. Events which would trigger an impairment review include, among others, a significant decrease in the long-term average market value of rental equipment, a significant decrease in the utilization rate of rental equipment resulting in an inability to generate income from operations and positive cash flow in future periods, or a change in market conditions resulting in a significant decrease in lease rates.

When testing for impairment, equipment is generally grouped by rental type, and is tested separately from other groups of assets and liabilities. Potential impairment exists when the estimated future undiscounted cash flows generated by an asset group, comprised of lease proceeds and residual values, less operating expenses, are less than the carrying value of that asset group. If potential impairment exists, the equipment is written down to its fair value. In determining the fair value of an asset group, we consider market trends, published value for similar assets, recent transactions of similar assets and in certain cases, quotes from third party appraisers. We currently do not consider any asset group to have a book value that is not recoverable based on our expectation of future undiscounted cash flows.

Allowance for Doubtful Accounts

Our allowance for doubtful accounts is developed based on two key components: (1) specific reserves for receivables which are impaired for which management believes full collection is doubtful; and (2) a general reserve for estimated losses inherent in the receivables. The general reserve is estimated by applying certain percentages to receivables that have not been specifically reserved, ranging from 1.0% on accounts that are one to thirty days overdue, to 100% on accounts that are one year overdue. Our allowance for doubtful accounts is reviewed regularly by our management and is based on the risk profile of the receivables, credit quality indicators such as the level of past due amounts and non-performing accounts and economic conditions. Changes in economic conditions or other events may necessitate additions or deductions to the allowance for doubtful accounts. The allowance is intended to provide for losses inherent in the owned fleet’s accounts receivable, and requires the application of estimates and judgments as to the outcome of collection efforts and the realization of collateral, among other things

The credit risk on accounts receivable related to the equipment we manage is the responsibility of third-party investors. Under our management agreements, if we are unable to ultimately collect any amount due from a managed unit lessee, third-party investors are obligated to reimburse us for any amounts we have previously paid to them in anticipation of receiving the uncollectible amount from the container lessee.

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Income Taxes

Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been reflected in our consolidated financial statements. Deferred tax liabilities and assets are determined based on the differences between the book values and the tax basis of particular assets and liabilities, using tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is recorded to reduce our deferred tax assets to an amount we determine is more likely than not to be realized, based on our analyses of past operating results, future reversals of existing taxable temporary differences and projected taxable income. Our analyses of future taxable income are subject to a wide range of variables, many of which involve estimates. Uncertainty regarding future events and changes in tax regulation could materially alter our valuation of deferred tax liabilities and assets. If we determine that we would not be able to realize all or part of our deferred tax assets in the future, we would increase our valuation allowance and record a corresponding charge to our earnings in the period in which we make such determination. If we later determine that we are more likely than not to realize our deferred tax assets, we would reverse the applicable portion of the previously provided valuation allowance.

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We record penalties and interest related to unrecognized tax benefits within income tax expense.

Recent Accounting Pronouncements.

See Note 2(p) of our consolidated financial statements included in this Annual Report on Form 10-K for a full description of recent accounting pronouncements and our expectation of their effect on our operations and financial condition.

ITEM 7A.QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of changes in value of a financial instrument, derivative or non-derivative, caused by fluctuations in foreign exchange rates and interest rates. Changes in these factors could cause fluctuations in our results of operations and cash flows. We are exposed to the market risks described below.

Foreign Exchange Rate Risk. Although we have significant foreign-based operations, the U.S. Dollar is our primary operating currency. Thus, most of our revenue and expenses are denominated in U.S. Dollars. We have equipment sales in British Pound Sterling, Euros and Japanese Yen and incur overhead costs in foreign currencies, primarily in British Pound Sterling and Euros. CAI Consent Sweden AB, one of our wholly-owned subsidiaries, has significant amounts of revenue as well as expenses denominated in Euros and Swedish Krone. During the year ended December 31, 2014, the U.S. Dollar increased in value in relation to other major foreign currencies (such as the Euro and British Pound Sterling). The increase in the value of the U.S. Dollar has decreased our revenues and expenses denominated in foreign currencies. The increase in the value of the U.S. Dollar relative to foreign currencies will also result in U.S. dollar denominated assets held at some of our foreign subsidiaries to increase in value relative to the foreign subsidiaries' local currencies. For the year ended December 31, 2014, we recognized a loss on foreign exchange of $0.4 million. A 10% change in foreign exchange rates would not have a material impact on our business, financial position, results of operations or cash flows.

Interest Rate Risk. The nature of our business exposes us to market risk arising from changes in interest rates to which our variable-rate debt is linked. As of December 31, 2014, the principal amount of debt outstanding under variable-rate revolving credit facilities was $350.8 million. In addition, at December 31, 2014 we had balances on our variable rate term loans of $294.4 million, a short-term line of credit of $75.0 million, $2.6 million of variable rate capital lease obligations, and $1.6 million of variable rates loans held by a VIE. The average interest rate on our variable rate debt was 1.9% as of December 31, 2014 based on LIBOR plus a margin based on certain conditions.

A 1.0% increase or decrease in underlying interest rates for these obligations will increase or decrease interest expense by approximately $7.2 million annually assuming debt remains constant at December 31, 2014 levels.

We do not currently participate in hedging, interest rate swaps or other transactions to manage the market risks described above.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and financial statement schedule are contained in Item 15 of this Annual Report on Form 10-K, and are incorporated herein by reference. See Part IV, Item 15(a) for an index to the consolidated financial statements and supplementary data.

ITEM 9.CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A.CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

In accordance with Rule 13a-15(b) under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based upon their evaluation of these disclosure controls and procedures, our President and Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2014.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed with the participation of our principal executive officer and principal financial officer or persons performing similar functions to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting includes policies and procedures that: (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of assets; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, our internal controls and procedures may not prevent or detect misstatements. A control system, no matter how well conceived and operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

As of December 31, 2014, our management, with the participation of our President and Chief Executive Officer and our Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management has determined that our internal control over financial reporting is effective as of December 31, 2014.

KPMG LLP, the independent registered public accounting firm that audited our 2014 consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on our internal control over financial reporting. The report appears below.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

CAI International, Inc.:

We have audited CAI International, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). CAI International, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, CAI International, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of CAI International, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014, and the related financial schedule II, and our report dated February 27, 2015 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ KPMG LLP

San Francisco, California
February 27, 2015

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated herein by reference from our definitive proxy statement for our 2015 Annual Meeting of Stockholders, which will be filed no later than 120 days after December 31, 2014.

Code of Ethics

We have a written Code of Business Conduct and Ethics in place that applies to all our employees, including our principal executive officer, principal financial officer, principal accounting officer and controller, and persons performing similar functions. A copy of our Code of Business Conduct and Ethics is available on our website at http://www.capps.com. We intend to use our website as a method of disseminating any change to, or waiver from, our Code of Business Conduct and Ethics as permitted by the applicable SEC rules.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference from our definitive proxy statement for our 2015 Annual Meeting of Stockholders, which will be filed no later than 120 days after December 31, 2014.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated herein by reference from our definitive proxy statement for our 2015 Annual Meeting of Stockholders, which will be filed no later than 120 days after December 31, 2014.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference from our definitive proxy statement for our 2015 Annual Meeting of Stockholders, which will be filed no later than 120 days after December 31, 2014.

ITEM 14.PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated herein by reference from our definitive proxy statement for our 2015 Annual Meeting of Stockholders, which will be filed no later than 120 days after December 31, 2014.

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PART IV

ITEM 15.EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1)Financial Statements.

The following financial statements are included in Item 8 of this report:

(a)(2)Financial Statement Schedules.

The following financial statement schedule for the Company is filed as part of this report:

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the accompanying Consolidated Financial Statements or notes thereto.

(a)(3)List of Exhibits.

The exhibits set forth on the accompanying Exhibit Index immediately following the financial statement schedule 76 are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

CAI International, Inc.:

We have audited the accompanying consolidated balance sheets of CAI International, Inc. and subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three year period ended December 31, 2014. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CAI International, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CAI International, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

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/s/ KPMG LLP

San Francisco, California
February 27, 2015

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CAI INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share information)

	December 31, 2014	December 31, 2013
Assets		
Current assets		
Cash	$ 27,810	$ 31,141
Cash held by variable interest entities	26,011	14,600
Accounts receivable (owned fleet), net of allowance for doubtful accounts of $680 and $503 at December 31, 2014 and December 31, 2013, respectively	49,524	41,226
Accounts receivable (managed fleet)	8,498	10,646
Current portion of direct finance leases	18,150	12,998
Prepaid expenses	14,396	14,803
Other current assets	410	5,553
Total current assets	144,799	130,967
Restricted cash	8,232	9,253
Rental equipment, net of accumulated depreciation of $274,333 and $210,165 at December 31, 2014 and December 31, 2013, respectively	1,564,777	1,465,092
Net investment in direct finance leases	76,814	68,210
Furniture, fixtures and equipment, net of accumulated depreciation of $2,019 and $1,697 at December 31, 2014 and December 31, 2013, respectively	945	1,390
Intangible assets, net of accumulated amortization of $4,817 and $4,638 at December 31, 2014 and December 31, 2013, respectively	273	677
Total assets (1)	$ 1,795,840	$ 1,675,589
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 8,414	$ 8,002
Accrued expenses and other current liabilities	9,029	6,230
Due to container investors	12,984	14,815
Unearned revenue	7,172	6,862
Current portion of debt	203,199	74,080
Current portion of capital lease obligations	1,015	1,921
Rental equipment payable	7,381	45,181
Total current liabilities	249,194	157,091
Debt	1,058,754	1,058,628

Deferred income tax liability	43,419	41,378
Capital lease obligations	1,568	3,366
Total liabilities (2)	1,352,935	1,260,463
Stockholders' equity		
Common stock: par value $.0001 per share; authorized 84,000,000 shares; issued and outstanding 20,788,277 and 22,240,673 shares at December 31, 2014 and December 31, 2013, respectively	2	2
Additional paid-in capital	154,894	184,263
Accumulated other comprehensive loss	(5,677)	(2,356)
Retained earnings	292,897	232,623
Total CAI stockholders' equity	442,116	414,532
Non-controlling interest	789	594
Total stockholders' equity	442,905	415,126
Total liabilities and stockholders' equity	$ 1,795,840	$ 1,675,589

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(1) Total assets at December 31, 2014 and December 31, 2013 include the following assets of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs: Cash, $26,011 and $14,600; Net investment in direct finance leases, $156 and $137; and Rental equipment net of accumulated depreciation, $102,100 and $84,107, respectively.

(2) Total liabilities at December 31, 2014 and December 31, 2013 include the following VIE liabilities for which the VIE creditors do not have recourse to CAI International, Inc.: Debt, $132,419 and $101,269, respectively.

See accompanying notes to consolidated financial statements.

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CAI INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	Year Ended December 31,		
	2014	2013	2012
Revenue			
Rental revenue	$ 212,259	$ 196,591	$ 152,982
Management fee revenue	6,497	7,866	12,094
Gain on sale of equipment portfolios	-	-	1,256
Finance lease income	8,833	7,948	7,593
Total revenue	227,589	212,405	173,925
Operating expenses			
Depreciation of rental equipment	77,976	67,109	48,352
Amortization of intangible assets	383	780	902
Gain on disposition of used rental equipment	(6,522)	(7,356)	(12,445)
Storage, handling and other expenses	26,043	19,257	9,402
Marketing, general and administrative expenses	26,155	23,848	24,658
Loss on foreign exchange	367	82	170
Total operating expenses	124,402	103,720	71,039
Operating income	103,187	108,685	102,886
Interest expense	35,212	36,005	28,796
Write-off of deferred financing costs	406	1,108	-
Interest income	(7)	(5)	(9)
Net interest expense	35,611	37,108	28,787
Net income before income taxes and non-controlling interest	67,576	71,577	74,099
Income tax expense	7,191	7,057	9,818
Net income	60,385	64,520	64,281
Net income attributable to non-controlling interest	(111)	(594)	(816)
Net income attributable to CAI common stockholders	$ 60,274	$ 63,926	$ 63,465
Net income per share attributable to CAI common stockholders			
Basic	$ 2.91	$ 2.89	$ 3.26
Diluted	$ 2.85	$ 2.82	$ 3.18

Weighted average shares outstanding			
Basic	20,732	22,157	19,495
Diluted	21,155	22,672	19,945

See accompanying notes to consolidated financial statements.

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CAI INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Year Ended December 31,		
	2014	2013	2012
Net income	$ 60,385	$ 64,520	$ 64,281
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	(3,321)	561	464
Comprehensive income	57,064	65,081	64,745
Comprehensive income attributable to non-controlling interest	(111)	(594)	(816)