NOKIA CORP
Form 6-K
January 22, 2009

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a -16 or 15d -16 of

the Securities Exchange Act of 1934

Report on Form 6-K dated January 22, 2009

Nokia Corporation

Nokia House

Keilalahdentie 4

02150 Espoo

Finland

(Name and address of registrant s principal executive office)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F x Form 40-F o

Enclosures:

1. Nokia stock exchange release dated January 22, 2009: Nokia Q4 2008 net sales EUR 12.7 billion, non-IFRS EPS EUR 0.26 (reported EPS EUR 0.15)

2. Nokia stock exchange release dated January 22, 2009: Nokia Board of Directors convenes Annual General Meeting 2009

3. Nokia stock exchange release dated January 22, 2009: Nokia Board of Directors approves Nokia Equity Program 2009 in line with the previous years practice

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INTERIM REPORT

Nokia Corporation January 22, 2009 at 13:00 (CET +1)

Nokia Q4 2008 net sales EUR 12.7 billion, non-IFRS EPS EUR 0.26 (reported EPS EUR 0.15)

Nokia 2008 net sales EUR 50.7 billion, non-IFRS EPS EUR 1.34 (reported EPS EUR 1.05)

Nokia Board of Directors will propose a dividend of EUR 0.40 per share for 2008 (EUR 0.53 per share for 2007)

	Non-IFRS fourth quarter 2008 results(1), (2)					Non-IFRS full year 2008 results(1), (2), (3)		
EUR million	**Q4/2008**	**Q4/2007**	**YoY Change**	**Q3/2008**	**QoQ Change**	**2008**	**2007**	**YoY Change**
Net sales	12 665	15 738	-19.5%	12 239	3.5%	50 722	51 108	-0.8%
Devices & Services	8 141	11 141	-26.9%	8 605	-5.4%	35 099	37 705	-6.9%
NAVTEQ	206			157	31.2%	363		
Nokia Siemens Networks	4 340	4 604	-5.7%	3 504	23.9%	15 319	13 443	14.0%
Operating profit	1 239	2 634	-53.0%	1 756	-29.4%	7 033	7 697	-8.6%
Devices & Services	983	2 541	-61.3%	1 602	-38.6%	6 373	7 588	-16.0%
NAVTEQ	53			29	82.8%	82		
Nokia Siemens Networks	225	195	15.4%	177	27.1%	757	331	128.7%
Operating margin	9.8%	16.7%		14.3%		13.9%	15.1%	
Devices & Services	12.1%	22.8%		18.6%		18.2%	20.1%	
NAVTEQ	25.7%			18.5%		22.6%		
Nokia Siemens Networks	5.2%	4.2%		5.1%		4.9%	2.5%	
EPS, EUR Diluted	0.26	0.48	-45.8%	0.33	-21.2%	1.34	1.49	-10.1%

	Reported fourth quarter 2008 results(1)					Reported full year 2008 results(1),(3)		
EUR million	**Q4/2008**	**Q4/2007**	**YoY Change**	**Q3/2008**	**QoQ Change**	**2008**	**2007**	**YoY Change**
Net sales	12 662	15 717	-19.4%	12 237	3.5%	50 710	51 058	-0.7%
Devices & Services	8 141	11 141	-26.9%	8 605	-5.4%	35 099	37 705	-6.9%
NAVTEQ	205			156	31.4%	361		
Nokia Siemens Networks	4 338	4 583	-5.3%	3 503	23.8%	15 309	13 393	14.3%
Operating profit	492	2 492	-80.3%	1 469	-66.5%	4 966	7 985	-37.8%
Devices & Services	766	2 594	-70.5%	1 602	-52.2%	5 816	7 584	-23.3%
NAVTEQ	- 73			- 80	-8.8%	- 153		
Nokia Siemens Networks	- 179	0		- 1		- 301	-1 308	-77.0%
Operating margin	3.9%	15.9%		12.0%		9.8%	15.6%	
Devices & Services	9.4%	23.3%		18.6%		16.6%	20.1%	
NAVTEQ	-35.6%			-51.3%		-42.4%		
Nokia Siemens Networks	-4.1%	0.0%		0.0%		-2.0%	-9.8%	
EPS, EUR Diluted	0.15	0.47	-68.1%	0.29	-48.3%	1.05	1.83	-42.6%

Note 1 relating to NAVTEQ: *On July 10, 2008, Nokia completed the acquisition of NAVTEQ Corporation. NAVTEQ is a separate reportable segment of Nokia starting from the third quarter 2008. Accordingly, the results of NAVTEQ are not available for the prior periods.*

Note 2 relating to non-IFRS results: *Non-IFRS results exclude special items for all periods. In addition, non-IFRS results exclude intangible asset amortization, other purchase price accounting related items and inventory value adjustments arising from i) the formation of Nokia Siemens Networks and ii) all business acquisitions completed after June 30, 2008. More specific information about the exclusions from the non-IFRS results may be found in this press release on pages 3 and 11-16 for the quarterly periods and pages 24 -29 for the full year 2008 and 2007.*

Nokia believes that these non-IFRS financial measures provide meaningful supplemental information to both management and investors regarding Nokia s performance by excluding the above-described items that may not be indicative of Nokia s business operating results. These non-IFRS financial measures should not be viewed in isolation or as substitutes to the equivalent IFRS measure(s), but should be used in conjunction with the most directly comparable IFRS measure(s) in the reported results.

A reconciliation of the non-IFRS results to our reported results for Q4 2008 and Q4 2007 as well as for full year 2008 and 2007 can be found in the tables on pages 11-16 and 25-29 of this press release. A reconciliation of our Q3 2008 non-IFRS results can be found on pages 12-16 of our Q3 2008 Interim Report of October 16, 2008.

Note 3 relating to Nokia Siemens Networks: *The results of Nokia Group and Nokia Siemens Networks for the full year 2008 are not directly comparable to the results for the full year 2007, which include the results of Nokia s former Networks business group for the first quarter 2007 and those of Nokia Siemens Networks from April 1, 2007 through December 31, 2007.*

FOURTH QUARTER 2008 HIGHLIGHTS

- Nokia net sales of EUR 12.7 billion, down 19% year on year and up 3% sequentially (down 18% and up 1% at constant currency).
- Devices & Services net sales of EUR 8.1 billion, down 27% year on year and down 5% sequentially (down 25% and 8% at constant currency).
- Services and software net sales of EUR 158 million, up 37% sequentially.
- Estimated industry mobile device volumes of 305 million units, down 9% year on year and down 2% sequentially.
- Nokia mobile device volumes of 113.1 million units, down 15% year on year and down 4% sequentially.
- Nokia estimated mobile device market share of 37% in Q4 2008, down from 40% in Q4 2007 and down from 38% in Q3 2008. The full year 2008 estimated market share was 39%.
- Nokia mobile device ASP of EUR 71, down from EUR 72 in Q3 2008.
- Devices & Services gross margin of 33.8%, down from 36.5% in Q3 2008.
- NAVTEQ net sales of EUR 205 million, up 31% sequentially from EUR 156 million, and non-IFRS operating margin of 25.7% (18.5% in Q3 2008)
- Nokia Siemens Networks net sales of EUR 4.3 billion, down 5% year on year and up 24% sequentially (down 4% and up 23% at constant currency).
- Nokia Siemens Networks achieved substantially all of the EUR 2.0 billion of targeted annual cost synergies by the end of 2008.
- Operating cash flow was negative EUR 0.3 billion, including the one-time EUR 1.7 billion lump-sum cash payment made to Qualcomm as part of the previously announced license agreement. Excluding the Qualcomm payment, operating cash flow was EUR 1.4 billion.
- Total cash and other liquid assets of EUR 6.8 billion at the end of Q4 2008.

OLLI-PEKKA KALLASVUO, NOKIA CEO:

In recent weeks, the macroeconomic environment has deteriorated rapidly, with even weaker consumer confidence, unprecedented currency volatility and credit tightness continuing to impact the mobile communications industry. We are taking action to reduce overall costs and to preserve our strong capital structure. This is clearly our top priority in the current economic environment. However, it is important for Nokia to continue investing at the proper pace in future growth. We believe Nokia has a tremendous opportunity to capture value as the Internet services market evolves and grows. Being a catalyst for change has been our heritage and it will be our future.

INDUSTRY AND NOKIA OUTLOOK

- Nokia expects industry mobile device volumes in the first quarter 2009 to decline sequentially to a greater extent than the seasonal sequential decrease in the first quarter of the past few years.

- Nokia expects its mobile device market share in the first quarter 2009 to be at approximately the same level sequentially.

- While noting the extremely limited visibility, Nokia now expects 2009 industry mobile device volumes to decline approximately 10% from 2008 levels. Nokia expects the decline to be greater in the first half than in the second half of the year. This is an update to Nokia s earlier estimate that 2009 industry mobile device volumes would decline 5% or more from 2008 levels.

- Nokia continues to target an increase in its market share in mobile devices in 2009.

- Nokia now targets its non-IFRS operating margin in Devices & Services to be more than 10% in the first half 2009 and to be in the teens for the second half 2009, rather than in the teens for the full year 2009 as previously targeted.

- Nokia targets its annualized non-IFRS operating expense run rate in Devices & Services to be lower than EUR 6 billion by the end of 2010. This would represent a reduction of more than EUR 700 million to the annualized run rate at the beginning of 2009. Nokia targets that a majority of the reduction will happen during 2009.

- Nokia and Nokia Siemens Networks continue to expect the mobile infrastructure and fixed infrastructure and related services market to decline 5% or more in Euro terms in 2009, from 2008 levels.

- Nokia and Nokia Siemens Networks continue to target for Nokia Siemens Networks market share to remain constant in 2009, compared to 2008.

Q4 2008 FINANCIAL HIGHLIGHTS

(Comparisons are given to the fourth quarter 2007 results, unless otherwise indicated.)

The non-IFRS results exclusions

Q4 2008 EUR 747 million consisting of:

- *EUR 286 million restructuring charge and other one-time items in Nokia Siemens Networks*
- *EUR 52 million restructuring charge in Devices & Services*
- *EUR 165 million representing the contribution of assets to Symbian Foundation*
- *EUR 5 million restructuring charge in NAVTEQ*
- *EUR 118 million of intangible asset amortization and other purchase price accounting related items arising from the formation of Nokia Siemens Networks*
- *EUR 121 million of intangible asset amortization and other purchase price accounting related items arising from the acquisition of NAVTEQ*

Q3 2008 EUR 287 million consisting of:

- *EUR 59 million restructuring charge and other one-time items in Nokia Siemens Networks*
- *EUR 119 million of intangible asset amortization and other purchase price accounting related items arising from the formation of Nokia Siemens Networks*
- *EUR 109 million of intangible asset amortization and other purchase price accounting related items arising from the acquisition of NAVTEQ*

Q4 2007 EUR 142 million (net) consisting of:

- *EUR 119 million restructuring charge and other one-time items in Nokia Siemens Networks*
- *EUR 53 million gain on sale of real estate in Nokia Siemens Networks*
- *EUR 53 million gain on a business transfer in Devices & Services*
- *EUR 129 million of intangible asset amortization and other purchase price accounting related items arising from the formation of Nokia Siemens Networks*

Non-IFRS results exclude special items for all periods. In addition, non-IFRS results exclude intangible asset amortization, other purchase price accounting related items and inventory value adjustments arising from i) the formation of Nokia Siemens Networks and ii) all business acquisitions completed after June 30, 2008.

Nokia Group

Nokia s fourth quarter 2008 net sales decreased 19% to EUR 12.7 billion, compared with EUR 15.7 billion in the fourth quarter 2007. At constant currency, group net sales would have decreased 18% year on year and increased 1% sequentially.

The following chart sets out the year on year and sequential growth rates in our net sales on a reported basis and at constant currency for the periods indicated.

NOKIA FOURTH QUARTER 2008 NET SALES

Reported & Constant Currency*(1)*

	Q4/2008 vs. Q4/2007 Change	Q4/2008 vs. Q3/2008 Change
Group net sales reported	-19%	3%
Group net sales - constant currency(1)	-18%	1%
Devices & Services net sales reported	-27%	-5%
Devices & Services net sales - constant currency(1)	-25%	-8%
Nokia Siemens Networks net sales reported	-5%	24%
Nokia Siemens Networks net sales - constant currency(1)	-4%	23%

Note 1: *Change in net sales at constant currency excludes the impact of changes in exchange rates in comparison to the Euro, our reporting currency.*

Nokia s fourth quarter 2008 reported operating profit decreased 80% to EUR 492 million, compared with EUR 2.5 billion in the fourth quarter 2007. Nokia s fourth quarter 2008 non-IFRS operating profit decreased 53% to EUR 1.2 billion, compared with EUR 2.6 billion in the fourth quarter 2007. Nokia s fourth quarter 2008 reported operating margin was 3.9% (15.9%). Nokia s fourth quarter 2008 non-IFRS operating margin was 9.8% (16.7%).

Operating cash flow for the fourth quarter 2008 was negative EUR 0.3 billion, including the one-time EUR 1.7 billion lump-sum cash payment made to Qualcomm as part of the previously announced license agreement. Excluding the Qualcomm payment, operating cash flow was EUR 1.4 billion. The operating cash flow for the fourth quarter 2007 was EUR 2.7 billion. Total cash and other liquid assets were EUR 6.8 billion at December 31, 2008, compared with EUR 11.8 billion at December 31, 2007. At December 31, 2008, Nokia s net debt-equity ratio (gearing) was - 14%, compared with - 62% at December 31, 2007.

Devices & Services

In the fourth quarter 2008, the total mobile device volumes of our Devices & Services group were 113.1 million units, representing a decline of 15% year on year and a 4% sequential decrease. The overall industry mobile device volumes for the same period were 305 million units based on Nokia s estimate, representing a 9% year on year decrease and a 2% sequential decrease.

Of the total industry mobile device volumes, converged mobile device industry volumes in the fourth quarter 2008 increased to 48.0 million units, based on Nokia s estimate, compared with an estimated 40.1 million units in the fourth quarter 2007 and 44.2 million units in the third quarter 2008. Our own converged mobile device volumes were 15.1 million units in the fourth quarter 2008, compared with 18.8 million units in the fourth quarter 2007 and 15.5 million units in the third quarter 2008. We shipped approximately 8 million Nokia Nseries and over 3 million Nokia Eseries devices during the fourth quarter 2008.

The following chart sets out our mobile device volumes for the periods indicated, as well as the year on year and sequential growth rates, by geographic area.

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NOKIA MOBILE DEVICE VOLUME BY GEOGRAPHIC AREA

(million units)	Q4/2008	Q4/2007	YoY Change	Q3/2008	QoQ Change
Europe	34.7	37.2	-6.7%	27.4	26.6%
Middle East & Africa	18.2	23.6	-22.9%	21.5	-15.3%
Greater China	12.9	20.2	-36.1%	19.8	-34.8%
Asia-Pacific	29.9	34.0	-12.1%	33.6	-11.0%
North America	4.1	5.1	-19.6%	4.5	-8.9%
Latin America	13.3	13.4	-0.7%	11.0	20.9%
Total	**113.1**	**133.5**	**-15.3%**	**117.8**	**-4.0%**

Based on our preliminary market estimate, Nokia s mobile device market share for the fourth quarter 2008 was 37%, compared with 40% in the fourth quarter 2007 and 38% in the third quarter 2008. Our year on year market share decline was driven primarily by lower market share in Middle East & Africa, Greater China, North America and Asia-Pacific. This was partially offset by slightly higher market share in Europe and Latin America. Our sequential market share decline was driven primarily by lower market share in Greater China, Middle East & Africa, North America and Asia-Pacific. Our market share was sequentially up in Latin America and Europe. We believe that, due to extreme currency volatility, our market share in the fourth quarter 2008 in some geographic areas may have been affected by products being re-routed by the distribution channels for sale to consumers in other geographic areas, particularly in Europe and Middle East & Africa.

Our mobile device average selling price (ASP) in the fourth quarter 2008 was EUR 71, down from EUR 83 in the fourth quarter 2007 and down from EUR 72 in the third quarter 2008. The lower year on year ASP was primarily due to a higher proportion of sales of lower priced products. Our ASP was little changed on a sequential basis due primarily to a similar product mix in the third and fourth quarters 2008. Starting from the first quarter 2008, our ASP excludes net sales from our services and software business. Prior periods have been reclassified for comparison purposes.

Fourth quarter 2008 Devices & Services net sales declined 27% to EUR 8.1 billion, compared with EUR 11.1 billion in the fourth quarter 2007. At constant currency, Devices & Services net sales would have decreased 25%. The net sales decline resulted primarily from lower volumes in all regions, combined with an ASP decline, driven by weaker demand, a higher proportion of sales of lower priced products and general price pressure compared to the fourth quarter 2007. Of our total Devices & Services net sales, services and software contributed EUR 158 million in the fourth quarter 2008 and were up 37% sequentially.

Net sales grew in Devices & Services year on year in Latin America. Net sales were down year on year in Middle East & Africa, North America, Asia-Pacific, Greater China and Europe.

Devices & Services reported gross profit and non-IFRS gross profit decreased 37% to EUR 2.8 billion, compared with EUR 4.3 billion in the fourth quarter 2007, with a reported gross margin and non-IFRS gross margin of 33.8% (38.9%). The year on year gross margin decrease was primarily due to a higher proportion of sales of lower end, lower margin devices, and a lower proportion of new high-end, higher margin devices during the fourth quarter 2008.

Devices & Services reported operating profit decreased 70% to EUR 766 million, compared with EUR 2.6 billion in the fourth quarter 2007, with a reported operating margin of 9.4% (23.3%). Devices & Services non-IFRS operating profit decreased 61% to EUR 983 million, compared with EUR 2.5 billion in the fourth quarter 2007, with a non-IFRS operating margin of 12.1% (22.8%). The 61% year on year decrease in non-IFRS operating profit for the fourth quarter 2008 was driven primarily by lower net sales compared to the fourth quarter 2007.

NAVTEQ

(Comparisons are given to the third quarter 2008)

Fourth quarter 2008 NAVTEQ reported net sales increased 31% sequentially to EUR 205 million, compared with EUR 156 million in the third quarter 2008. NAVTEQ reported gross profit was EUR 180 million (EUR 138 million), with a gross margin of 87.8% (88.5%). Non-IFRS gross profit was EUR 181 million (EUR 139 million), with a non-IFRS gross margin of 87.9% (88.5%). NAVTEQ had a reported operating loss of EUR 73 million (EUR 80 million loss). The reported operating margin was -35.6%(-51.3%). NAVTEQ non-IFRS operating profit was EUR 53 million (EUR 29 million), with a non-IFRS operating margin of 25.7% (18.5%).

Nokia Siemens Networks

Fourth quarter 2008 net sales decreased 5% to EUR 4.3 billion, compared with EUR 4.6 billion in the fourth quarter 2007. At constant currency, Nokia Siemens Networks net sales would have decreased 4%.

The following chart sets out Nokia Siemens Networks net sales for the periods indicated, as well as the year on year and sequential growth rates, by geographic area.

NOKIA SIEMENS NETWORKS NET SALES BY GEOGRAPHIC AREA

EUR million	Q4/2008	Q4/2007	YoY Change	Q3/2008	QoQ Change
Europe	1 636	2 045	-20.0%	1 358	20.5%
Middle East & Africa	615	541	13.7%	424	45.0%
Greater China	409	492	-16.9%	288	42.0%
Asia-Pacific	967	838	15.4%	894	8.2%
North America	198	243	-18.5%	150	32.0%
Latin America	513	424	21.0%	389	31.9%
Total	**4 338**	**4 583**	**-5.3%**	**3 503**	**23.8%**

Nokia Siemens Networks reported gross profit decreased 17% to EUR 1.1 billion, compared with EUR 1.4 billion in the fourth quarter 2007, with a gross margin of 26.1% (29.7%). Nokia Siemens Networks non-IFRS gross profit decreased 6% to EUR 1.3 billion, compared with EUR 1.4 billion in the fourth quarter 2007, with a non-IFRS gross margin of 30.4% (30.4%). The lower year on year non-IFRS gross profit in the fourth quarter 2008 was due primarily to lower year on year net sales.

Nokia Siemens Networks had a fourth quarter 2008 reported operating loss of EUR 179 million compared with a reported break-even operating result in the fourth quarter 2007, with a reported operating margin of -4.1% (0%). Nokia Siemens Networks non-IFRS operating profit increased 15% to EUR 225 million in the fourth quarter 2008, compared with EUR 195 million in the fourth quarter 2007, with a non-IFRS operating margin of 5.2% (4.2%). The year on year improvement in Nokia Siemens Networks non-IFRS operating profit primarily reflected lower operating expenses.

Q4 2008 OPERATING HIGHLIGHTS

Nokia

- Nokia announced a reorganization of its sales, marketing, research and other activities, impacting an estimated 850 employees globally. The reorganization includes a headcount reduction at Nokia Research Center and the closure of Nokia s offices in Turku, Finland.

- Nokia announced that it is discontinuing mobile device sales and marketing activities in Japan. Vertu, Nokia s line of luxury mobile devices, and Nokia s global R&D and sourcing operations in Japan continue unaffected.

- Nokia announced the renewal of a multi-year patent license agreement with Research In Motion (RIM), covering the worldwide use of standards essential patents for GSM, WCDMA and CDMA2000

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technologies. The financial terms of the agreement consist of an up-front payment and on-going royalties payable to Nokia.

Devices

- Further strengthening its Nokia Nseries range of mobile devices, Nokia announced the Nokia N97, a mobile computer featuring a 3.5 touch display with a full QWERTY keyboard, a 5 megapixel camera, integrated A-GPS sensors and an electronic compass, and 32 GB of on-board memory.

- Nokia announced and started shipments of the Nokia 5800 XpressMusic, a mobile device optimized for music and featuring a 3.2 inch touch screen display with tactile feedback, a 3.2 megapixel camera and A-GPS functionality.

- Nokia announced and started shipments of the Nokia E63, with a full QWERTY keyboard, a variety of multimedia features and offered at a price intended to make the Eseries range accessible to a wider audience.

- Nokia announced the strengthening of its portfolio of entry-level mobile devices with several new models, including the Nokia 1202, developed especially for people living in rural areas. With an estimated retail price of EUR 25, the Nokia 1202 is Nokia s lowest cost mobile device to date.

- Nokia completed its acquisition of Symbian Limited, the company that develops and licenses Symbian OS, the market-leading operating system for mobile devices. The acquisition is an important step by Nokia and industry partners to develop Symbian OS into an open and unified mobile software platform, which will be licensed royalty-free and eventually move towards open source .

- Nokia and IBM announced IBM Lotus Notes support for selected Nokia S60-based mobile devices, meaning that millions of Lotus Notes users are now able to access their email with their Nokia devices.

Services & Software

- Nokia announced an agreement to sell its security appliance business to Check Point Software Technologies, a disposal in line with Nokia s renewed business mobility strategy to cease developing and marketing its own behind-the-firewall business mobility solutions.

- Nokia completed its acquisition of OZ Communications Inc., a purchase intended to strengthen its position in consumer mobile messaging.

- In the United Kingdom, Nokia launched Comes With Music, an all-you-can-eat music offer where, following the purchase of a Nokia Comes With Music-edition device, users can download freely from a catalogue of millions of tracks for a pre-defined period of time typically one year or longer and keep the music once that period is up. Nokia launched the service with the support of all the major music labels - Universal Music Group International, Warner Music Group, Sony BMG Music Entertainment and EMI Group numerous independent labels as well as music

publishing rights.

- Nokia launched Nokia Music Store in Italy and the United Arab Emirates, bringing the cumulative total of digital music stores to 12 across three continents.

- Nokia launched Maps on Ovi, a tool enabling people to plan their journey at home on their PC and synchronize the data with their mobile.

- Nokia launched the beta trial of Mail on Ovi, a free email service enabling users of selected Nokia devices to obtain an ovi.com-suffixed email account without the need for a separate PC.

- Nokia announced the launch of Nokia Messaging, a service which gives millions of consumers access to email and instant messaging accounts from Yahoo! Mail® and Yahoo! Messenger®, Windows Live Hotmail, Gmail and Google Talk, and AOL Mail, as well as email solutions from thousands of ISPs around the world on the majority of Nokia devices. Nokia Messaging is launching commercially in selected markets during the first quarter 2009.

- Nokia announced Nokia Life Tools, a range of agricultural information and education services being developed for non-urban consumers in emerging markets.

- Seven new titles were made commercially available on the N-Gage mobile games service.

NAVTEQ

- NAVTEQ announced an agreement to acquire T-Traffic Systems GmbH, a leading provider of traffic services in Germany. The acquisition was completed in January 2009.

- NAVTEQ expanded its portfolio of dynamic content - or real-time data - to include flight status and fuel prices, leveraging leading dynamic distribution capabilities from traffic and camera alerts.

- NAVTEQ Traffic was launched in Microsoft Windows Live FrameIt.

- NAVTEQ announced an industry strategy for map-enhanced ADAS (advanced driver assistance systems) using the Map-Enhanced Positioning Engine (MPE).

- NAVTEQ launched an enhanced Traffic Patterns product in North America.

Nokia Siemens Networks

- Nokia Siemens Networks secured 3G contracts with three major operators in Canada Telus, Bell Canada, and Videotron signaling the company s breakthrough into a wireless market long dominated by incumbent suppliers.

- Nokia Siemens Networks became the first infrastructure vendor to ship Long Term Evolution (LTE) compatible base stations. The Flexi Multimode Base Station hardware requires only a software upgrade for full LTE capability. Nokia Siemens Networks also recorded another world first with a demonstration of LTE-Advanced technology.

- Nokia Siemens Networks strengthened its leading position in packet core with a deal with NTT DoCoMo for LTE Evolved Packet Core (EPC), in partnership with Fujitsu.

- In December, Nokia Siemens Networks announced it had been selected for a major managed services deal with Tata Teleservices Limited, which involves network planning, project management, network roll-out and systems integration activities across the Indian operator s new national GSM network as well as the provision of radio access and soft-switching equipment.

- Research house Ovum named Nokia Siemens Networks the market leader in the WDM (Wavelength Division Multiplexing) deployment of 40 Gigabit per second optical transmission technology, during a quarter in which the company began a significant roll-out with a major customer.

- Nokia Siemens Networks expanded its relationship with Blyk, the free mobile network for 16-24 year olds funded by advertising, with turnkey services contracts to host the operator s core network as it expands into the Netherlands and Belgium.

For more information on the operating highlights mentioned above, please refer to related press announcements at the following links: http://www.nokia.com/press, http://www.navteq.com/about/press.html, http://www.nokiasiemensnetworks.com/press

NOKIA IN THE FOURTH QUARTER 2008

(The following discussion is of Nokia s reported results. Comparisons are given to the fourth quarter 2007 results, unless otherwise indicated.)

As of January 1, 2008, our three mobile device business groups, Mobile Phones, Multimedia and Enterprise Solutions, and the supporting horizontal groups were replaced by an integrated business segment, Devices & Services. Prior period results for Nokia and its reportable segments have been regrouped for comparability purposes according to the new reportable segments (on an unaudited basis). Devices & Services has three business units, Devices, Services and Markets, supported by a Corporate Development Office. Link to regrouped 2007 financials: http://investors.nokia.com.

On July 10, 2008, Nokia completed the acquisition of NAVTEQ Corporation. NAVTEQ is a separate reportable segment of Nokia starting from the third quarter 2008. Accordingly, the results of NAVTEQ are not available for the prior periods.

Nokia s net sales decreased 19% to EUR 12 662 million (EUR 15 717 million). Net sales of Devices & Services decreased 27% to EUR 8 141 million (EUR 11 141 million). Net sales of NAVTEQ were EUR 205 million. Net sales of Nokia Siemens Networks decreased 5% to EUR 4 338 million (EUR 4 583 million).

Operating profit decreased 80% to EUR 492 million (EUR 2 492 million), representing an operating margin of 3.9% (15.9%). Operating profit in Devices & Services decreased 70% to EUR 766 million (EUR 2 594 million), representing an operating margin of 9.4% (23.3%). Operating loss in NAVTEQ was EUR 73 million, representing an operating margin of -35.6%. Operating loss in Nokia Siemens Networks was EUR 179 million (EUR 0 million), representing an operating margin of -4.1% (0%). Group Common Functions reported expense totaled EUR 22 million (EUR 102 million).

In the period from October to December 2008, net financial expense was EUR 16 million (net financial income EUR 64 million). Profit before tax and minority interests was EUR 476 million (EUR 2 573 million). In Q4 2008, Nokia taxes benefitted from Nokia obtaining a favorable high tech qualification assessment in China. This change as well as certain tax benefits from prior years resulted in a lower tax rate in Q4 2008. Net profit totaled EUR 576 million (EUR 1 835 million). Earnings per share decreased to EUR 0.16 (basic) and to EUR 0.15 (diluted), compared with EUR 0.48 (basic) and EUR 0.47 (diluted) in the fourth quarter of 2007.

CONSOLIDATED PROFIT AND LOSS ACCOUNT, EUR million

(unaudited)

	Reported 10-12/2008	Reported 10-12/2007	Non-IFRS 10-12/2008	Non-IFRS 10-12/2007
Net sales	**12 662**	15 717	**12 665**	15 738
Cost of sales	**-8 599**	-10 017	**-8 415**	-9 998
Gross profit	**4 063**	5 700	**4 250**	5 740
Research and development expenses	**-1 731**	-1 620	**-1 400**	-1 524
Selling and marketing expenses	**-1 287**	-1 296	**-1 185**	-1 203
Administrative and general expenses	**-345**	-356	**-284**	-333
Other income	**154**	139	**154**	33
Other expenses	**-362**	-75	**-296**	-79
Operating profit	**492**	2 492	**1 239**	2 634
Share of results of associated companies		17		17
Financial income and expenses	**-16**	64	**-16**	64
Profit before tax	**476**	2 573	**1 223**	2 715
Tax	**75**	-777	**-142**	-830
Profit before minority interests	**551**	1 796	**1 081**	1 885
Minority interests	**25**	39	**-123**	-26
Profit attributable to equity holders of the parent	**576**	1 835	**958**	1 859
Earnings per share, EUR				
(for profit attributable to the equity holders of the parent)				
Basic	**0.16**	0.48	**0.26**	0.49
Diluted	**0.15**	0.47	**0.26**	0.48
Average number of shares (1 000 shares)				
Basic	**3 697 553**	3 820 876	**3 697 553**	3 820 876
Diluted	**3 724 043**	3 885 693	**3 724 043**	3 885 693
Depreciation and amortization, total	**446**	280	**207**	151
Share-based compensation expense, total	**-60**	67	**-60**	67

DEVICES & SERVICES, EUR million

(unaudited)

	Reported 10-12/2008	Special items & PPA 10-12/2008	Non-IFRS 10-12/2008	Reported 10-12/2007	Special items & PPA 10-12/2007	Non-IFRS 10-12/2007
Net sales	**8 141**		**8 141**	11 141		11 141
Cost of sales	**-5 390**		**-5 390**	-6 808		-6 808
Gross profit	**2 751**		**2 751**	4 333		4 333
% of net sales	***33.8***		***33.8***	*38.9*		*38.9*
Research and development expenses (1)	**-901**	**153**	**-748**	-823		-823
% of net sales	***11.1***		***9.2***	*7.4*		*7.4*
Selling and marketing expenses (2)	**-837**	**12**	**-825**	-883		-883
% of net sales	***10.3***		***10.1***	*7.9*		*7.9*
Administrative and general expenses	**-94**		**-94**	-86		-86
% of net sales	***1.2***		***1.2***	*0.8*		*0.8*
Other income and expenses (3)	**-153**	**52**	**-101**	53	-53	0
Operating profit	**766**	**217**	**983**	2 594	-53	2 541
% of net sales	***9.4***		***12.1***	*23.3*		*22.8*

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(1) EUR 153 million in Q4/08 representing the contribution of assets to Symbian Foundation.

(2) EUR 12 million in Q4/08 representing the contribution of assets to Symbian Foundation.

(3) Restructuring charges of EUR 52 million in Q4/08. Gain on business transfer EUR 53 million in Q4/07.

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NAVTEQ, EUR million

(unaudited)

	Reported 10-12/2008	Special items & PPA 10-12/2008	Non-IFRS 10-12/2008
Net sales	**205**	**1**	**206**
Cost of sales (1)	**-25**		**-25**
Gross profit	**180**	**1**	**181**
% of net sales	***87.8***		***87.9***
Research and development expenses (2)	**-174**	**90**	**-84**
% of net sales	***84.9***		***40.8***
Selling and marketing expenses (3)	**-59**	**30**	**-29**
% of net sales	***28.8***		***14.1***
Administrative and general expenses	**-17**		**-17**
% of net sales	***8.3***		***8.3***
Other income and expenses (4)	**-3**	**5**	**2**
Operating profit	**-73**	**126**	**53**
% of net sales	***-35.6***		***25.7***

(1) Deferred revenue related to acquisitions of EUR 1 million in Q4/08.

(2) Amortization of acquired intangibles of EUR 90 million in Q4/08.

(3) Amortization of acquired intangibles of EUR 30 million in Q4/08.

(4) Restructuring charges of EUR 5 million in Q4/08.

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NOKIA SIEMENS NETWORKS, EUR million

(unaudited)

	Reported 10-12/2008	Special items & PPA 10-12/2008	Non-IFRS 10-12/2008	Reported 10-12/2007	Special items & PPA 10-12/2007	Non-IFRS 10-12/2007
Net sales (1)	**4 338**	**2**	**4 340**	4 583	21	4 604
Cost of sales (2)	**-3 206**	**184**	**-3 022**	-3 222	19	-3 203
Gross profit	**1 132**	**186**	**1 318**	1 361	40	1 401
% of net sales	***26.1***		***30.4***	*29.7*		*30.4*
Research and development expenses (3)	**-654**	**88**	**-566**	-790	96	-694
% of net sales	***15.1***		***13.0***	*17.2*		*15.1*
Selling and marketing expenses (4)	**-390**	**60**	**-330**	-412	93	-319
% of net sales	***9.0***		***7.6***	*9.0*		*6.9*
Administrative and general expenses (5)	**-206**	**61**	**-145**	-196	23	-173
% of net sales	***4.7***		***3.3***	*4.3*		*3.8*
Other income and expenses (6)	**-61**	**9**	**-52**	37	-57	-20
Operating profit	**-179**	**404**	**225**	0	195	195
% of net sales	***-4.1***		***5.2***	*0.0*		*4.2*

(1) Deferred revenue related to acquisitions of EUR 2 million in Q4/08. Deferred revenue related to acquisitions of EUR 13 million and EUR 8 million related to restructuring in Q4/07.

(2) Restructuring charges of EUR 184 million in Q4/08 and of EUR 19 million in Q4/07.

(3) Restructuring charges of EUR 43 million and amortization of acquired intangibles of EUR 45 million in Q4/08. Restructuring charges of EUR 48 million and amortization of acquired intangibles of EUR 48 million in Q4/07.

(4) Reversal of restructuring charges of EUR 11 million and amortization of acquired intangibles of EUR 71 million in Q4/08. Restructuring charges of EUR 21 million and amortization of acquired intangibles of EUR 72 million in Q4/07.

(5) Restructuring charges of EUR 61 million in Q4/08 and EUR 23 million in Q4/07.

(6) Restructuring charges of EUR 9 million in Q4/08. Gain on sale of real estate EUR 53 million and PPA related other income EUR 4 million in Q4/07.

GROUP COMMON FUNCTIONS, EUR million

(unaudited)

	Reported 10-12/2008	Special items & PPA 10-12/2008	Non-IFRS 10-12/2008	Reported 10-12/2007	Special items & PPA 10-12/2007	Non-IFRS 10-12/2007
Net sales						
Cost of sales						

Company/Index	Dec. 31, 2008	Returns as of December 31, 2009	2010	2011	2012	2013
CAI International, Inc.	$ 100	$ 285	$ 618	$ 488	$ 692	$ 744
Russell 2000 Index	100	125	157	148	170	233
Dow Jones Transportation Index	100	116	144	142	150	209

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,				
	2013	2012	2011	2010	2009
(Dollars in thousands, except per share data)					
Revenue					
Rental revenue	$ 196,591	$ 152,982	$ 106,694	$ 64,892	$ 53,747
Management fee revenue	7,866	12,094	12,957	10,348	8,546
Gain on sale of equipment portfolios	-	1,256	2,345	614	753
Finance lease income	7,948	7,593	3,710	2,045	2,218
Total revenue	212,405	173,925	125,706	77,899	65,264
Operating expenses					
Depreciation of rental equipment	67,109	48,352	33,633	20,807	17,226
Amortization of intangible assets	780	902	1,254	1,377	1,566
Gain on disposition of used rental equipment	(7,356)	(12,445)	(13,374)	(9,112)	(3,626)
Storage, handling and other expenses	19,257	9,402	5,513	6,170	8,717
Marketing, general and administrative expenses	23,848	24,658	21,009	21,218	18,848
Restructuring charges	-	-	-	-	972
Loss (gain) on foreign exchange	82	170	(354)	513	(215)
Total operating expenses	103,720	71,039	47,681	40,973	43,488
Operating income	108,685	102,886	78,025	36,926	21,776
Net interest expense	37,108	28,787	16,127	5,169	4,301
Net income before income taxes and non-controlling interest	71,577	74,099	61,898	31,757	17,475
Income tax expense	7,057	9,818	11,084	3,555	3,919

Net income	64,520	64,281	50,814	28,202	13,556
Net income attributable to non-controlling interest	(594)	(816)	(625)	181	-
Net income attributable to CAI common stockholders	$ 63,926	$ 63,465	$ 50,189	$ 28,383	$ 13,556
Net income per share attributable to CAI common stockholders					
Basic	$ 2.89	$ 3.26	$ 2.60	$ 1.58	$ 0.76
Diluted	$ 2.82	$ 3.18	$ 2.55	$ 1.56	$ 0.76
Weighted average shares outstanding					
Basic	22,157	19,495	19,295	17,974	17,902
Diluted	22,672	19,945	19,693	18,203	17,902
Other Financial Data					
EBITDA (unaudited)(1)	$ 176,502	$ 151,821	$ 112,732	$ 59,548	$ 40,794
Adjusted EBITDA (unaudited)(1)	188,831	160,579	118,812	64,881	46,326
Purchase of equipment	312,144	524,354	491,780	204,565	31,284
Net proceeds from sale of equipment portfolios	-	10,320	24,886	12,367	5,840

Consolidated Balance Sheet Data

	As of December 31, 2013		2012		2011		2010		2009	
(Dollars in thousands)										
Cash	$ 54,994	*	$ 22,047	*	$ 14,677	*	$ 14,393		$ 14,492	
Rental equipment, net	1,465,092		1,210,234		841,847		530,939		299,340	
Net investment in direct finance leases	81,208		85,554		37,749		11,834		12,620	
Total assets	1,675,589		1,387,941		953,368		613,452		374,083	
Debt	1,137,995		957,360		621,050		260,547		182,395	
Total liabilities	1,260,463		1,041,096		704,632		415,778		244,985	
Total CAI stockholders' equity	414,532		346,845		230,036		179,599		129,098	
*Includes restricted cash of $9,253, $4,376 and $599 at December 31, 2013, 2012 and 2011, respectively.										
Selected Operating Data (unaudited):										
Owned container fleet in TEUs (2)	860,729		704,417		470,401		347,973		235,082	
Managed container fleet in TEUs (2)	283,725		359,133		458,254		478,608		507,681	
	1,144,454		1,063,550		928,655		826,581		742,763	
Owned container fleet in CEUs (3)	903,713		745,966		491,076		338,028		219,684	
Managed container fleet in CEUs (3)	262,071		331,017		414,475		425,913		452,672	
	1,165,784		1,076,983		905,551		763,941		672,356	
Owned railcar fleet in units (4)	1,804		1,456		-		-		-	
Percentage of on-lease container fleet on long-term leases (5)	74.9	%	70.5	%	78.7	%	75.8	%	75.7	%
Percentage of on-lease container fleet on short-term leases (5)	20.3	%	23.4	%	17.4	%	21.7	%	21.5	%
Percentage of on-lease container fleet on finance leases (5)	4.8	%	6.1	%	3.9	%	2.5	%	2.8	%
	100.0	%	100.0	%	100.0	%	100.0	%	100.0	%

Average container fleet utilization in TEUs (6)	91.8	%	94.2	%	97.6	%	94.8	%	82.2	%
Average container fleet utilization in CEUs (7)	92.7	%	94.7	%	97.8	%	94.6	%	83.9	%

(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). 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 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.

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,				
	2013	2012	2011	2010	2009
Net income attributable to CAI common stockholders	$ 63,926	$ 63,465	$ 50,189	$ 28,383	$ 13,556
Net interest expense	37,108	28,787	16,127	5,169	4,301
Depreciation	67,631	48,849	34,078	21,064	17,452
Amortization of intangible assets	780	902	1,254	1,377	1,566
Income tax expense	7,057	9,818	11,084	3,555	3,919
EBITDA	176,502	151,821	112,732	59,548	40,794
Principal payments from direct finance leases	12,329	8,758	6,080	5,333	5,532
Adjusted EBITDA	$ 188,831	$ 160,579	$ 118,812	$ 64,881	$ 46,326

(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) As of December 31, 2013, our railcar fleet had a utilization rate of 97.1%.
(5) 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.
(6) 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.
(7) 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.

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."

Overview

We are one of the world's leading equipment leasing and management 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, 2013, our container fleet comprised 1,144,454 TEUs, 75.2% of which represented our owned fleet and 24.8% of which represented our managed fleet. In addition, we also own 1,804 railcars, which we lease within North America primarily to railroad transport companies.

Our business comprises two reportable segments for financial statement reporting purposes – equipment leasing and equipment management. Our equipment leasing segment revenue comprises rental revenue and finance lease income from our owned fleet, and our equipment management segment revenue comprises 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 TEUs 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.

Our net income will fluctuate based, in part, upon changes in the proportion of our revenue from our two segments. We incur significantly lower operating expenses in connection with the revenues from our equipment management segment, compared to the operating expenses associated with revenues from our equipment leasing segment. In particular, we recognize an insignificant amount of operating expense in connection with our gain on sale of equipment portfolios in our equipment management segment. As a result, a change in the amount of revenue in our equipment management segment derived from the gain on sale of equipment portfolios will typically have a disproportionately larger impact on our net income than an equal change in the amount of revenue from our equipment leasing segment.

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, 2013 was 91.8% compared to 94.2% and 97.6% for the years ended December 31, 2012 and 2011, respectively. Our average container fleet utilization rate in CEUs for the year ended December 31, 2013 was 92.7% compared to 94.7% and 97.8% for the years ended December 31, 2012 and 2011, respectively. The decrease in our average fleet utilization from 2011 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 96% 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 payment consists 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.

Operating Expenses

Our operating expenses are 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). 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, 2013, 2012 and 2011 (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Revenue			
Rental revenue	$ 196,591	$ 152,982	$ 106,694
Management fee revenue	7,866	12,094	12,957
Gain on sale of equipment portfolios	-	1,256	2,345
Finance lease income	7,948	7,593	3,710
Total revenue	212,405	173,925	125,706
Operating expenses			
Depreciation of rental equipment	67,109	48,352	33,633
Amortization of intangible assets	780	902	1,254
Gain on disposition of used rental equipment	(7,356)	(12,445)	(13,374)
Storage, handling and other expenses	19,257	9,402	5,513
Marketing, general and administrative expenses	23,848	24,658	21,009
Loss (gain) on foreign exchange	82	170	(354)
Total operating expenses	103,720	71,039	47,681
Operating income	108,685	102,886	78,025
Net interest expense	37,108	28,787	16,127
Net income before income taxes and non-controlling interest	71,577	74,099	61,898
Income tax expense	7,057	9,818	11,084
Net income	64,520	64,281	50,814
Net income attributable to non-controlling interest	(594)	(816)	(625)
Net income attributable to CAI common stockholders	$ 63,926	$ 63,465	$ 50,189

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 $49.7 million increase

in rental revenue attributable to a 36% increase in the average number of TEUs 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 96.6% in the year ended December 31, 2012 to 93.2% 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 34% 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.

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 41% 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 (Gain) 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 remeasured 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.

Segment Information

The following table summarizes our results of operations for each of our business segments for the years ended December 31, 2013 and 2012 (dollars in thousands):

	Year Ended December 31,		Change	
	2013	2012	Amount	Percent
Equipment Leasing				
Total revenue	$ 204,539	$ 160,575	$ 43,964	27 %
Operating expenses	100,906	64,286	36,620	57
Net interest expense	37,113	28,796	8,317	29
Net income before income taxes and non-controlling interest attributable to segment	$ 66,520	$ 67,493	$ (973)	(1)
Equipment Management				
Total revenue	$ 7,866	$ 13,350	$ (5,484)	(41) %
Operating expenses	2,814	6,753	(3,939)	(58)
Net income before income taxes and non-controlling interest attributable to segment	$ 5,052	$ 6,597	$ (1,545)	(23)

Equipment Leasing. Total revenue from our equipment leasing segment increased $44.0 million, or 27%, to $204.5 million for the year ended December 31, 2013 from $160.6 million for the year ended December 31, 2012. The increase was primarily due to an increase in the number of owned containers on lease and increased revenue derived from CAI Rail’s operations, partly offset by a reduction in owned fleet utilization and average container per diem rental rates, as described above.

Total operating expenses for the equipment leasing segment for December 31, 2013 increased $36.6 million, or 57%, to $100.9 million, from $64.3 million for the year ended December 31, 2012. The increase was primarily attributable to higher depreciation expense resulting from the increase in the amount of owned equipment, increase in storage, handling and other container related expenses as a result of a decrease in utilization, and lower gain on disposition of used rental equipment.

Interest expense for the year ended December 31, 2013 increased $8.3 million, or 29%, to $37.1 million compared to $28.8 million for the year ended December 31, 2012. The increase in interest expense was primarily due to the increase in our average debt balance as we continued to increase our borrowings to finance our acquisition of additional rental equipment, and the write-off of $1.1 million of prepaid financing costs.

Equipment Management. Total revenue of $7.9 million from our equipment management segment for the year ended December 31, 2013 decreased $5.5 million, or 41%, from $13.4 million for the year ended December 31, 2012. The decrease in management fee revenue was primarily attributable to a 34% decrease in the size of our on-lease managed

container fleet as a result of our purchase of previously managed container portfolios.

Total operating expenses for the equipment management segment decreased $3.9 million, or 58%, to $2.8 million for the year ended December 31, 2013, from $6.8 million for the year ended December 31, 2012 as a result of the reduction of MG&A expense allocated to the segment due to a decrease in the proportion of managed TEUs in the total fleet during 2013.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenue. The following discussion explains the significant changes in the composition of our total revenue for the year ended December 31, 2012 compared to the year ended December 31, 2011:

Rental Revenue. Rental revenue increased $46.3 million, or 43%, to $153.0 million for the year ended December 31, 2012, from $106.7 million for the year ended December 31, 2011. This was primarily due to a $46.9 million increase in rental revenue attributable to a 44% increase in the average number of TEUs of owned containers on lease and $3.0 million of revenue from the lease of railcars by CAI Rail, a business that commenced operations in 2012. We made investments in containers during the year ended December 31, 2012, which increased the average size of the owned fleet by 46%, although the impact on rental revenue was partially offset by a reduction in the average utilization of our owned fleet from 97.0% in the year ended December 31, 2011 to 96.6% in the year ended December 31, 2012. The increase in rental revenue was partially offset by a $6.1 million decrease in rental revenue which resulted from a 6% decrease in average per diem rental rates during 2012. This is primarily a result of significant investment in used containers during 2012 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 rate, than new containers. Approximately 52% of our investment in containers during 2012 was in used containers, compared to 48% investment in new containers.

Management Fee Revenue. Management fee revenue for the year ended December 31, 2012 was $12.1 million, a decrease of $0.9 million, or 7%, from $13.0 million for the year ended December 31, 2011. The decrease was primarily due to a 14% reduction in the size of the average on-lease managed container fleet due to our purchase of previously managed container portfolios, which resulted in a decrease to management fee revenue of approximately $2.0 million, partially offset by a $1.1 million increase in arrangement fees. Arrangement fees are earned from third party investors as a result of transactions in our managed fleet, including the addition of new, and the restructuring of existing, container portfolios; more such activity occurred in the year ended December 31, 2012 than in the prior year.

Gain on Sale of Equipment Portfolios. Gain on sale of equipment portfolios decreased $1.1 million to $1.3 million for the year ended December 31, 2012, a 46% decrease from a gain of $2.3 million for the year ended December 31, 2011. The decrease was due primarily to fewer containers sold to investors during the year ended December 31, 2012 compared to the year ended December 31, 2011.

Finance Lease Income. Finance lease income increased by $3.9 million, or 105%, to $7.6 million during the year ended December 31, 2012, from $3.7 million during the year ended December 31, 2011. The increase was primarily attributable to new finance lease contracts entered into during 2012.

Expenses. The following discussion explains the significant changes in expenses for the year ended December 31, 2012 compared to the year ended December 31, 2011:

Depreciation of Rental Equipment. Depreciation of rental equipment increased by $14.7 million, or 44%, to $48.4 million for the year ended December 31, 2012, from $33.6 million for the year ended December 31, 2011. This increase was primarily attributable to a 42% increase in average TEUs of owned containers and the addition of railcar equipment, partially offset by a reduction in depreciation expense resulting from the increase in residual values and useful life of our containers effective January 1, 2012. We do not expect that the change in estimated residual values will have a material effect on the reported gain on disposition of equipment over the next several years since the equipment estimated to be sold during the coming years has already been substantially depreciated. See Note 2(d) to our consolidated financial statements included in this Annual Report on Form 10-K.

Amortization of Intangible Assets. Amortization of intangible assets decreased $0.4 million, or 28%, to $0.9 million for the year ended December 31, 2012, from $1.3 million for the year ended December 31, 2011. The decrease was due to certain intangible assets that became fully amortized during the third quarter of 2011.

Gain on Disposition of Used Rental Equipment. Gain on sale of used rental equipment decreased $0.9 million to $12.4 million for the year ended December 31, 2012, a 7% decrease from a gain of $13.4 million for the year ended December 31, 2011. The decrease was due primarily to a 9% reduction in the volume of used containers sold in the year ended December 31, 2012 compared to the year ended December 31, 2011, partially offset by higher margins on sales made in the year ended December 31, 2012.

Storage, Handling and Other Expenses. Storage, handling and other expenses increased by $3.9 million, or 71%, to $9.4 million for the year ended December 31, 2012, from $5.5 million for the year ended December 31, 2011. The decrease in utilization of our owned containers has resulted in more containers in storage during the year ended December 31, 2012 resulting in higher storage, handling, and other related charges. Additionally, we incurred increased repairs and maintenance costs relating to our railcars during the year ended December 31, 2012.

Marketing, General and Administrative Expense. MG&A expense increased by $3.7 million, or 17%, to $24.7 million for the year ended December 31, 2012, from $21.0 million for the year ended December 31, 2011. The increase was primarily due to a $1.7 million increase in personnel related costs, release of a $0.9 million bad debt reserve during the year ended December 31, 2011, and a $0.8 million increase in professional fees that were primarily associated with CAIJ's investor transactions in the year ended December 31, 2012 and the formation of CAI Rail.

Loss (Gain) on Foreign Exchange. We recorded a loss of $0.2 million on foreign exchange transactions for the year ended December 31, 2012 compared to a gain of $0.4 million during the year ended December 31, 2011. 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, 2012 was primarily the result of the weakening of the U.S. dollar against foreign currencies, primarily the Euro.

Net Interest Expense. Net interest expense of $28.8 million for the year ended December 31, 2012 increased $12.7 million, or 79%, from $16.1million for the year ended December 31, 2011. The increase in net interest expense was due primarily to an increase in the average principal balance of our debt.

Income Tax Expense. Income tax expense of $9.8 million for the year ended December 31, 2012 decreased $1.3 million from $11.1 million for the year ended December 31, 2011. The effective tax rate for the year ended December 31, 2012 was 13.2% compared to an effective tax rate of 17.9% for the year ended December 31, 2011. The lower effective tax rate for the year ended December 31, 2012 was due primarily to a higher proportion of pretax income being generated by our foreign operations where income tax rates are lower than in the U.S.

Segment Information

The following table summarizes the results of operations for each of our business segments for the years ended December 31, 2012 and 2011 (in thousands):

	Year Ended December 31,		Change	
	2012	2011	Amount	Percent
Equipment Leasing				
Total revenue	$ 160,575	$ 110,404	$ 50,171	45 %
Operating expenses	64,286	40,455	23,831	59
Net interest expense	28,796	16,139	12,657	78
Net income before income taxes and non-controlling interest attributable to segment	$ 67,493	$ 53,810	$ 13,683	25
Equipment Management				
Total revenue	$ 13,350	$ 15,302	$ (1,952)	(13) %
Operating expenses	6,753	7,226	(473)	(7)
Net income before income taxes and non-controlling interest attributable to segment	$ 6,597	$ 8,076	$ (1,479)	(18)

Equipment Leasing. Total revenue from our equipment leasing segment increased $50.2 million, or 45%, to $160.6 million for the year ended December 31, 2012 from $110.4 million for the year ended December 31, 2011. The increase was primarily due to a $46.3 million increase in rental revenue resulting primarily from the increase in the average number of owned containers on lease and revenues from CAI Rail, and a $3.9 million increase in finance lease income.

Total operating expenses for the equipment leasing segment for December 31, 2012 increased $23.8 million, or 59%, to $64.3 million, from $40.5 million for the year ended December 31, 2011. The increase was primarily attributable to higher depreciation expense resulting from the increase in the number of owned containers, increase in storage, handling and other container related expenses as a result of a decrease in utilization, decrease in gain on sale of used rental equipment and an increase in MG&A expense.

Interest expense for the year ended December 31, 2012 increased $12.7 million, or 78%, to $28.8 million compared to $16.1 million for the year ended December 31, 2011. The increase in interest expense was primarily due to the increase in our average debt balance as we continued to increase our borrowings to finance our acquisition of additional rental equipment.

Equipment Management. Total revenue of $13.4 million from our equipment management segment for the year ended December 31, 2012 decreased $1.9 million, or 13%, from $15.3 million for the year ended December 31, 2011, mainly as a result of decreases in management fee revenue and gain on sale of equipment portfolios.

Total operating expenses for the equipment management segment decreased $0.5 million, or 7%, to $6.7 million for the year ended December 31, 2012, from $7.2 million for the year ended December 31, 2011 as a result of the reduction of MG&A expense allocated to the segment due to a decrease in the proportion of managed TEUs in the total fleet during 2012.

Liquidity and Capital Resources

Our principal sources of liquidity have 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 are 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.

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, 2013, 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, 2013, we had an outstanding balance of $235.0 million and availability of $524.9 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. 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. As of December 31, 2013 the average interest rate on our revolving credit facility was 1.9%. Our revolving credit facility will expire in March 2018.

We intend to use our revolving credit facility primarily to fund the purchase of containers. As of December 31, 2013, we had commitments to purchase $5.9 million of rental equipment and had rental equipment payable of $45.2 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 June 7, 2012, we entered into a revolving credit agreement for CAI Rail with a consortium of banks to finance the acquisition of railcars. As of December 31, 2013, the maximum credit commitment under the revolving line of credit was $85.0 million. Borrowings under this credit facility bear interest at a variable rate. For domestic base rate loans, the interest rate is equal to the highest of (i) the daily federal funds open rate as published by the Federal Reserve Bank of New York and (ii) the administrative agent's published "Reference Rate", in each case plus a margin based on certain conditions. For Eurodollar rate loans, the interest rate is equal to a LIBOR-based rate plus a margin based on certain conditions. As of December 31, 2013, the average interest rate under the agreement was 2.4%.

As of December 31, 2013, the outstanding balance under CAI Rail's revolving credit facility was $54.5 million. As of December 31, 2013, we had $30.5 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 June 2015.

Term Loan Facilities

(i) On August 20, 2009, we signed a $10.0 million five-year loan agreement with the Development Bank of Japan (DBJ). The loan is payable in 19 quarterly installments of $0.2 million starting October 31, 2009 and a final payment

of $6.2 million on July 31, 2014. On March 22, 2013, we entered into an additional $30.0 million five-year loan agreement with 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. Both loans bear variable interest rates based on LIBOR. As of December 31, 2013, the loans had a combined balance of $35.7 million and an average interest rate of 2.3%.

(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. The Base Rate is defined as the highest of (i) the federal funds rate plus 1/2 of 1.0%, (ii) the prime rate (as published in The Wall Street Journal), and (iii) the Eurodollar rate (for three-month loans) plus 1.0%.

On March 28, 2013, the term loan agreement was amended to: (a) reduce 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); (b) reduce the interest rate on the remaining loan balance; and (c) revise certain covenants under the term loan agreement to provide increased flexibility to the Company. Quarterly payments of principal have been reduced to $1.9 million with the balance of the unpaid principal due on December 20, 2016. As of December 31, 2013, the term loan had a balance of $119.4 million and average interest rate of 2.5%.

(iii) On April 11, 2012, we entered into another term loan agreement with a consortium of banks. The agreement, which was amended on August 31, 2012 and May 30, 2013, 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, 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, 2013, the loan had a balance of $129.3 million and an interest rate of 2.2%.

Asset-Backed Notes

(i) On October 18, 2012, 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 $151.1 million as of December 31, 2013.

(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 is 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 $211.8 million as of December 31, 2013.

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, 2013, the restricted cash account had a balance of $9.3 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, 2013, the Notes had a balance of $94.8 million.

As of December 31, 2013, we had collateralized financing obligations totaling $101.3 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 1.0% as of December 31, 2013 with maturity dates between June 2015 and December 2016.

As of December 31, 2013, we had capital lease obligations of $5.3 million. The underlying obligations are denominated in U.S. Dollars and Euros at floating interest rates averaging 2.4% as of December 31, 2013, with maturity dates between June 2014 and June 2019.

Our term loans, senior secured notes, asset-backed notes, collateralized financing obligations 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, 2013, 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 15, 2011, we filed a universal shelf registration statement on Form S-3 with the SEC which was declared effective by the SEC on May 31, 2011. 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 $250.0 million for all securities, and the selling stockholders may sell up to 2,500,000 shares of common stock in one or more offerings. Pursuant to this registration, 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, 2013, 2012 and 2011 (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Net income	$ 64,520	$ 64,281	$ 50,814
Adjustments to income	59,666	42,549	21,291
Net cash provided by operating activities	124,186	106,830	72,105
Net cash used in investing activities	(266,806)	(461,219)	(430,137)
Net cash provided by financing activities	172,101	358,083	358,048
Effect on cash of foreign currency translation	(1,411)	(101)	(331)
Net increase (decrease) in cash	28,070	3,593	(315)
Cash at beginning of period	17,671	14,078	14,393
Cash at end of period	$ 45,741	$ 17,671	$ 14,078

Operating Activities Cash Flows

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.

Net cash provided by operating activities of $106.8 million for the year ended December 31, 2012 increased $34.7 million from $72.1 million for the year ended December 31, 2011. The increase was primarily due to a $34.9 million increase in net income as adjusted for non-cash items such as depreciation and amortization, partially offset by movements in net working capital. Net working capital increased by $3.7 million in the year ended December 31, 2012, due to a $10.5 million increase in accounts receivable, reflecting the growth in rental revenue during the year, a $1.8 million increase in prepaid expenses and other assets, and a $1.5 million decrease in due to container investors, partially offset by a $10.1 million increase in accounts payable, accrued expenses, unearned revenue and other liabilities, primarily caused by the timing of payments.

Investing Activities Cash Flows

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.

Net cash used in investing activities increased $31.1 million to $461.2 million for the year ended December 31, 2012 from $430.1 million for the year ended December 31, 2011. The increase in cash usage was primarily attributable to a $32.6 million increase in the purchase of containers and a $14.6 million decrease in net proceeds from the sale of equipment portfolios to investors, partially offset by a $13.5 million increase in net proceeds from the sale of used rental equipment.

Financing Activities Cash Flows

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.

Net cash provided by financing activities of $358.1 million for the year ended December 31, 2012 was essentially unchanged compared to the year ended December 31, 2011. For the year ended December 31, 2012, we received $51.5 million from the sale and issuance of 2,757,170 shares of our common stock and used the proceeds to repay part of our revolving credit facility. We also increased borrowings under our credit facilities by approximately $477.0 million and increased repayments of bank debt by $501.3 million. We used the proceeds from bank borrowings to finance our acquisition of containers.

Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations and commercial commitments by due date as of December 31, 2013 (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	$ 289,469	$ -	$ 54,469	$ -	$ -	$ 235,000	$ -
Term loans	284,335	25,840	19,240	116,115	101,240	21,900	-

Senior secured notes	94,760	8,240	8,240	7,175	6,110	6,110	58,885
Asset backed notes	362,875	40,000	40,000	40,000	40,000	40,000	162,875
Collateralized financing obligations	101,269	-	60,554	40,715	-	-	-
Capital lease obligations	5,287	1,921	1,426	855	572	404	109
Interest on debt and capital lease obligations (1)	128,769	28,673	27,605	23,810	17,169	10,547	20,965
Rental equipment payable	45,181	45,181	-	-	-	-	-
Rent, office facilities and equipment	4,363	1,324	1,103	1,064	867	5	-
Equipment purchase commitments	5,871	5,871	-	-	-	-	-
Total contractual obligations	$ 1,322,179	$ 157,050	$ 212,637	$ 229,734	$ 165,958	$ 313,966	$ 242,834

(1)Our estimate of interest expense commitment includes $20.8 million relating to our revolving credit facilities, $19.6 million relating to our term loans, $28.4 million relating to our senior secured notes, $56.5 million relating to our asset backed notes, $3.2 million relating to our collateralized financing obligations and $0.2 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, 2013: revolving credit facilities, 2.0%; term loans, 2.3%; senior secured notes, 4.9%; asset backed note, 3.4%; collateralized financing obligations, 1.0%; and capital lease obligations, 2.4%. 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, 2013, 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 dry van containers to Japanese container funds that 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. JIA is owned and controlled by a Managing Director of CAIJ. Prior to the purchase of containers 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 container 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 container management service agreements and financing arrangements where the terms of the transactions provide us with an option to purchase the containers at a fixed price. If we decide to exercise our purchase options and resell the containers to a third party, then we would realize any profit from the sale. During the third quarter of 2012, we purchased all the container equipment legally owned by two consolidated Japanese VIEs. As we previously consolidated these two Japanese VIEs, the purchase of containers 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.

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. (See Note 3 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.

During the first quarter of 2012, we completed a review of historical disposal experience relating to our fleet of container equipment and concluded that the estimated residual values and depreciable lives used in depreciation calculations should be amended effective January 1, 2012. The following table shows the current and prior residual values and depreciable lives that we adopted for each type of equipment:

	Residual Value		Depreciable Life in Years	
	Current	Prior	Current	Prior
20-ft. standard dry van container	$ 1,050	$ 950	13.0	12.5
40-ft. standard dry van container	$ 1,300	$ 1,150	13.0	12.5
40-ft. high cube dry van container	$ 1,650	$ 1,300	13.0	12.5
20-ft. refrigerated container	$ 2,750	$ 2,250	12.0	12.0
40-ft. high cube refrigerated container	$ 3,500	$ 3,000	12.0	12.0

The residual values, which range from $1,000 to $3,500, and depreciable lives, of between 12.5 years and 15 years, for other specialized containers remain unchanged.

The above changes reduced our depreciation expense by approximately $9.5 million for the year ended December 31, 2012, which included the impact of lower depreciation on equipment that we purchased during 2012.

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, or close to being 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 the third-party investors. Under our management agreements, if we are unable to ultimately collect any amount due from a managed unit lessee, the 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.

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, 2013, the U.S. Dollar decreased in value in relation to other major foreign currencies (such as the Euro and British Pound Sterling). The decrease in the U.S. Dollar has increased our revenues and expenses denominated in foreign currencies. The decrease 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 decrease in value relative to the foreign subsidiaries' local currencies. For the year ended December 31, 2013, we recognized a loss on foreign exchange of $0.1 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, 2013, the principal amount of debt outstanding under the variable-rate arrangement of our revolving credit facilities was $289.5 million. In addition, at December 31, 2013 we had balances on our variable rate term loans of $284.3 million and $5.3 million of variable rate capital lease obligations. The average interest rate on our variable rate debt was 2.2% as of December 31, 2013 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 $5.8 million annually assuming debt remains constant at December 31, 2013 levels.

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

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 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, 2013.

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, 2013 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, 2013, 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 (1992) 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, 2013.

KPMG LLP, the independent registered public accounting firm that audited our 2013 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.

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, 2013, based on criteria established in Internal Control – Integrated Framework (1992) 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 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, 2013, based on criteria established in Internal Control – Integrated Framework (1992) 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, 2013 and 2012, 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, 2013, and the related financial schedule II, and our report dated February 28, 2014 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ KPMG LLP

San Francisco, California
February 28, 2014

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 2014 Annual Meeting of Stockholders, which will be filed no later than 120 days after December 31, 2013.

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. 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 2014 Annual Meeting of Stockholders, which will be filed no later than 120 days after December 31, 2013.

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 2014 Annual Meeting of Stockholders, which will be filed no later than 120 days after December 31, 2013.

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 2014 Annual Meeting of Stockholders, which will be filed no later than 120 days after December 31, 2013.

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 2014 Annual Meeting of Stockholders, which will be filed no later than 120 days after December 31, 2013.

PART IV

ITEM 15.EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1)Financial Statements.

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

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Report of Independent Registered Public Accounting Firm	52
Consolidated Balance Sheets as of December 31, 2013 and 2012	53
Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011	55
Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011	56
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2013, 2012 and 2011	57
Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011	58
Notes to Consolidated Financial Statements	59

(a)(2)Financial Statement Schedules.

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

Schedule II—Valuation Accounts80

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 are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K. 81

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, 2013 and 2012, 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, 2013. 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, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2013, 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, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2014 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 28, 2014

CAI INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share information)

	December 31, 2013	December 31, 2012
Assets		
Current assets		
Cash	$ 31,141	$ 13,976
Cash held by variable interest entities	14,600	3,695
Accounts receivable (owned fleet), net of allowance for doubtful accounts of $503 and $794 at December 31, 2013 and December 31, 2012, respectively	41,226	32,627
Accounts receivable (managed fleet)	10,646	19,131
Current portion of direct finance leases	12,998	10,625
Prepaid expenses	14,803	11,952
Deferred tax assets	311	2,189
Other current assets	5,242	919
Total current assets	130,967	95,114
Restricted cash	9,253	4,376
Rental equipment, net of accumulated depreciation of $210,165 and $147,654 at December 31, 2013 and December 31, 2012, respectively	1,465,092	1,210,234
Net investment in direct finance leases	68,210	74,929
Furniture, fixtures and equipment, net of accumulated depreciation of $1,697 and $1,254 at December 31, 2013 and December 31, 2012, respectively	1,390	1,847
Intangible assets, net of accumulated amortization of $8,288 and $7,447 at December 31, 2013 and December 31, 2012, respectively	677	1,441
Total assets (1)	$ 1,675,589	$ 1,387,941
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 8,002	$ 5,985
Accrued expenses and other current liabilities	6,082	8,465
Due to container investors	14,815	18,589
Unearned revenue	6,862	7,893
Current portion of debt	74,080	61,044
Current portion of capital lease obligations	1,921	2,242
Rental equipment payable	45,181	2,561
Total current liabilities	156,943	106,779

Debt	1,058,628	888,990
Deferred income tax liability	41,378	40,051
Capital lease obligations	3,366	5,084
Income taxes payable	148	192
Total liabilities (2)	1,260,463	1,041,096
Stockholders' equity		
Common stock: par value $.0001 per share; authorized 84,000,000 shares; issued and outstanding 22,240,673 and 22,052,529 shares at December 31, 2013 and December 31, 2012, respectively	2	2
Additional paid-in capital	184,263	181,063
Accumulated other comprehensive loss	(2,356)	(2,917)
Retained earnings	232,623	168,697
Total CAI stockholders' equity	414,532	346,845
Non-controlling interest	594	-
Total stockholders' equity	415,126	346,845
Total liabilities and stockholders' equity	$ 1,675,589	$ 1,387,941

(1) Total assets at December 31, 2013 and December 31, 2012 include the following assets of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs: Cash, $14,600 and $3,695; Net investment in direct finance leases, $137 and $0; and Rental equipment net of accumulated depreciation, $84,107 and $62,286, respectively.

(2) Total liabilities at December 31, 2013 and December 31, 2012 include the following VIE liabilities for which the VIE creditors do not have recourse to CAI International, Inc.: Debt, $101,269 and $75,200, respectively.

See accompanying notes to consolidated financial statements.

CAI INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	Year Ended December 31,		
	2013	2012	2011
Revenue			
Rental revenue	$ 196,591	$ 152,982	$ 106,694
Management fee revenue	7,866	12,094	12,957
Gain on sale of equipment portfolios	-	1,256	2,345
Finance lease income	7,948	7,593	3,710
Total revenue	212,405	173,925	125,706
Operating expenses			
Depreciation of rental equipment	67,109	48,352	33,633
Amortization of intangible assets	780	902	1,254
Gain on disposition of used rental equipment	(7,356)	(12,445)	(13,374)
Storage, handling and other expenses	19,257	9,402	5,513
Marketing, general and administrative expenses	23,848	24,658	21,009
Loss (gain) on foreign exchange	82	170	(354)
Total operating expenses	103,720	71,039	47,681
Operating income	108,685	102,886	78,025
Interest expense	36,005	28,796	16,139
Write-off of deferred financing costs	1,108	-	-
Interest income	(5)	(9)	(12)
Net interest expense	37,108	28,787	16,127
Net income before income taxes and non-controlling interest	71,577	74,099	61,898
Income tax expense	7,057	9,818	11,084
Net income	64,520	64,281	50,814
Net income attributable to non-controlling interest	(594)	(816)	(625)
Net income attributable to CAI common stockholders	$ 63,926	$ 63,465	$ 50,189
Net income per share attributable to CAI common stockholders			
Basic	$ 2.89	$ 3.26	$ 2.60
Diluted	$ 2.82	$ 3.18	$ 2.55

Weighted average shares outstanding			
Basic	22,157	19,495	19,295
Diluted	22,672	19,945	19,693

See accompanying notes to consolidated financial statements.

CAI INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Year Ended December 31,		
	2013	2012	2011
Net income	$ 64,520	$ 64,281	$ 50,814
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	561	464	(871)
Comprehensive income	65,081	64,745	49,943
Comprehensive income attributable to non-controlling interest	(594)	(816)	(625)
Comprehensive income attributable to CAI common stockholders	$ 64,487	$ 63,929	$ 49,318

See accompanying notes to consolidated financial statements.

CAI INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Common Stock		Additional Paid-In	Retained	Non-Controlling	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Capital	Earnings	Interest	(Loss)	Equity
Balances as of December 31, 2010	19,295	$ 2	$ 127,064	$ 55,043	$ 18,075	$ (2,510)	$ 197,674
Net income	-	-	-	50,189	625	-	50,814
Foreign currency translation adjustment	-	-	-	-	-	(871)	(871)
Stock based compensation	-	-	1,119	-	-	-	1,119
Balances as of December 31, 2011	19,295	2	128,183	105,232	18,700	(3,381)	248,736
Net income	-	-	-	63,465	816	-	64,281
Foreign currency translation adjustment	-	-	-	-	-	464	464
Deconsolidation of non-controlling interest	-	-	49	-	(19,516)	-	(19,467)
Issuance of common stock, net of underwriting discount and offering expenses	2,757	-	51,543	-	-	-	51,543
Stock based compensation	-	-	1,288	-	-	-	1,288
Balances as of December 31, 2012	22,052	2	181,063	168,697	-	(2,917)	346,845
Net income	-	-	-	63,926	594	-	64,520
Foreign currency translation adjustment	-	-	-	-	-	561	561
Exercise of stock options	160		1,524				1,524
Stock issuance costs	-	-	(155)	-	-	-	(155)
Stock based compensation -options	-	-	1,429	-	-	-	1,429
Stock based compensation - restricted stock	28	-	107	-	-	-	107

Excess tax benefit from share-based compensation awards	-	-	295	-	-	-	295
Balances as of December 31, 2013	22,240	$ 2	$ 184,263	$ 232,623	$ 594	$ (2,356)	$ 415,126

See accompanying notes to consolidated financial statements.

CAI INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31,		
	2013	2012	2011
Cash flows from operating activities			
Net income	$ 64,520	$ 64,281	$ 50,814
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	67,631	48,849	34,078
Amortization of debt issuance costs	3,780	2,643	1,421
Amortization of intangible assets	780	902	1,254
Stock-based compensation expense	1,536	1,288	1,119
Unrealized (gain) loss on foreign exchange	(282)	244	(215)
Gain on sale of equipment portfolios	-	(1,256)	(2,345)
Gain on disposition of used rental equipment	(7,356)	(12,445)	(13,374)
Deferred income taxes	3,205	6,014	3,883
Bad debt (recovery) expense	(227)	29	(936)
Changes in other operating assets and liabilities:			
Accounts receivable	7,404	(10,492)	(3,842)
Prepaid expenses and other assets	(3,136)	(1,814)	1,406
Accounts payable, accrued expenses and other current liabilities	(8,839)	9,016	933
Due to container investors	(3,774)	(1,524)	(3,170)
Unearned revenue	(1,056)	1,095	1,079
Net cash provided by operating activities	124,186	106,830	72,105
Cash flows from investing activities			
Purchase of rental equipment	(312,144)	(524,354)	(491,780)
Net proceeds from sale of equipment portfolios	-	10,320	24,886
Net proceeds from disposition of used rental equipment	33,069	44,306	30,824
Purchase of furniture, fixtures and equipment	(60)	(249)	(147)
Receipt of principal payments from direct financing leases	12,329	8,758	6,080
Net cash used in investing activities	(266,806)	(461,219)	(430,137)
Cash flows from financing activities			
Proceeds from debt	588,870	1,035,381	558,401
Principal payments on debt	(406,961)	(699,161)	(197,901)

Repurchase of noncontrolling interest	-	(19,467)	-
Debt issuance costs	(6,595)	(6,436)	(1,853)
Increase in restricted cash	(4,877)	(3,777)	(599)
Net proceeds from issuance of common stock	-	51,543	-
Stock issuance costs	(155)	-	-
Exercise of stock options	1,524	-	-
Excess tax benefit from share-based compensation awards	295	-	-
Net cash provided by financing activities	172,101	358,083	358,048
Effect on cash of foreign currency translation	(1,411)	(101)	(331)
Net increase (decrease) in cash	28,070	3,593	(315)
Cash at beginning of the period	17,671	14,078	14,393
Cash at end of the period	$ 45,741	$ 17,671	$ 14,078
Supplemental disclosure of cash flow information			
Cash paid during the period for:			
Income taxes	$ 5,122	$ 3,312	$ 6,983
Interest	32,267	24,087	12,475
Supplemental disclosure of non-cash investing and financing activity			
Transfer of rental equipment to direct finance lease	$ 32,001	$ 56,426	$ 31,158
Transfer of direct finance lease to rental equipment	30,118	-	-
Payment of revolving credit facility from term loan	-	20,000	-

See accompanying notes to consolidated financial statements.

(1)The Company and Nature of Operations

CAI International, Inc. and its subsidiaries (collectively, CAI or the Company) operate primarily in the international intermodal marine cargo container leasing business. The Company also owns a fleet of railcars, which it leases in North America. The Company generates revenue from two reportable segments: equipment leasing and equipment management. The equipment leasing segment specializes primarily in the ownership and leasing of intermodal containers, while the equipment management segment manages equipment for third-party investors. The Company leases its equipment principally to international container shipping lines located throughout the world. The Company sells equipment primarily to third-party investor groups and provides management services to those investors in return for a management fee.

The Company's common stock is traded on the New York Stock Exchange under the symbol "CAP". The Company's corporate headquarters are located in San Francisco, California.

(2)Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company, its wholly owned subsidiaries, and its 80% owned subsidiary, CAIJ, Inc. (CAIJ). The equity attributable to the minority interest in CAIJ is shown as a non-controlling interest on the Company's consolidated balance sheet and the related net income is presented as net income attributable to non-controlling interest on the Company's consolidated statement of income for the year ended December 31, 2013. The non-controlling interest in CAIJ was immaterial and not included in the consolidated financial statements for all prior periods. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company regularly performs a review of its container fund arrangements with investors to determine whether a fund is a variable interest entity (VIE) and whether the Company has a variable interest that provides it with a controlling financial interest and is the primary beneficiary of the VIE in accordance with ASC 810, Consolidation. If the fund is determined to be a VIE, a further analysis is performed to determine if the Company is a primary beneficiary of the VIE and meets both of the following criteria under Paragraph 14A of ASC 810:

- it has power to direct the activities of a VIE that most significantly impact the entity's economic performance; and
- it has 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 the Company's judgment both of the above criteria are met, the VIE's financial statements are included in the Company's consolidated financial statements as required under ASC 810. The equity attributable to the VIE is shown as a non-controlling interest on the Company's consolidated balance sheet and the after tax result attributable to its operations is shown as a net income or loss attributable to non-controlling interest on the Company's consolidated statement of income. (See Note 3).

(b) Use of Estimates

Certain estimates and assumptions were made by the Company's management that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include revenue recognition, allowances for receivables, the carrying amount of rental equipment, the residual values and lives of rental equipment, impairment of intangible assets, the carrying amount and lives of intangible assets and income tax uncertainties. Actual results could differ from those estimates.

(c) Furniture, Fixtures, and Equipment

Furniture, fixtures, office equipment and software, are depreciated on a straight-line basis over estimated useful lives of five years with no salvage value. Leasehold improvements are depreciated over the shorter of their useful lives or the respective lease life.

(d) Rental equipment

The Company depreciates its rental equipment over its estimated useful life to its estimated fixed residual value using the straight line method of depreciation. During the first quarter of 2012, the Company completed a review of historical disposal experience relating to its fleet of container equipment and concluded that the estimated residual values and depreciable lives used in its depreciation calculations should be amended effective January 1, 2012. The following table shows the current and prior residual values and depreciable lives that the Company adopted for each type of equipment:

	Residual Value		Depreciable Life in Years	
	Current	Prior	Current	Prior
20-ft. standard dry van container	$ 1,050	$ 950	13.0	12.5
40-ft. standard dry van container	$ 1,300	$ 1,150	13.0	12.5
40-ft. high cube dry van container	$ 1,650	$ 1,300	13.0	12.5
20-ft. refrigerated container	$ 2,750	$ 2,250	12.0	12.0
40-ft. high cube refrigerated container	$ 3,500	$ 3,000	12.0	12.0

The residual values, which range from $1,000 to $3,500, and depreciable lives, of between 12.5 years and 15 years, for other specialized containers remain unchanged.

The above changes reduced the Company's depreciation expense and increased pre-tax income by approximately $9.5 million, which included the impact of lower depreciation on equipment purchased during 2012, increased net income by approximately $8.3 million and increased diluted earnings per share by $0.41 for the year ended December 31, 2012.

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.

(e) Impairment of Long-Lived Assets

On at least an annual basis, the Company evaluates its 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 its 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, the Company considers market trends, published value for similar assets, recent transactions of similar assets and in certain cases, quotes from third party appraisers. The Company currently does not consider any asset group to have a book value that is not recoverable, or close to being not recoverable, based on its expectation of future undiscounted cash flows.

(f) Intangible Assets

Intangible assets with definite useful lives are reviewed for impairment whenever events or changes in circumstances indicate an asset's carrying value may not be recoverable. The Company amortizes intangible assets on a straight-line basis over their estimated useful lives as follows:

Trademarks	1-10 years
Contracts-third party	7 years
Contracts and customer relationships-owned equipment	5-7 years

(g) Finance Leases

Interest on finance leases is recognized using the effective interest method. Lease income is recorded in decreasing amounts over the term of the contract, resulting in a level rate of return on the net investment in direct finance leases.

(h) Debt Fees

To the extent that the Company is required to pay issuance fees or direct costs relating to its credit facilities, such fees are amortized over the lives of the related debt using the straight line method and reflected in interest expense.

(i) Foreign Currency Translation

The accounts of the Company's foreign subsidiaries have been converted at rates of exchange in effect at year-end for balance sheet accounts and average exchange rates for the year for income statement accounts. The effects of changes in exchange rates in translating foreign subsidiaries' financial statements are included in stockholders' equity as accumulated other comprehensive income.

(j) Accounts Receivable (Owned Fleet)

Amounts billed under operating leases for equipment owned by the Company are recorded in accounts receivable (owned fleet). The Company estimates an allowance for doubtful accounts for accounts receivable it does not consider fully collectible. The allowance for doubtful accounts is developed based on two key components: (1) specific reserves for receivables 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. The allowance for doubtful accounts is reviewed regularly by 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.

(k) Accounts Receivable (Managed Fleet)

Amounts billed under operating leases for equipment owned by third-party investors are recorded in accounts receivable (managed fleet) with a corresponding credit to due to container investors account. The credit risk on accounts receivable related to managed equipment is the responsibility of the third-party investors. Under the Company's management agreements with investors, the third-party investors are obligated to reimburse the Company for any amounts the Company had previously paid to them in advance of receiving the amount from the equipment lessee if the Company is unable to ultimately collect any amount due from a managed equipment lessee.

(l) Income Taxes

Income taxes are accounted for using the asset-and-liability method. Under this method, deferred income taxes are recognized for the future tax consequences of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when it is more likely than not that deferred tax assets will not be recovered.

The Company recognizes 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. The Company records penalties and interest related to unrecognized tax benefits within income tax expense. (See Note 9)

(m) Revenue Recognition

The Company provides a range of services to its 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 FASB ASC 840, Leases. Revenue is reported net of any related sales tax.

Rental Revenue

Rental revenue arises from renting equipment owned by the Company to various lessees. Rental agreements are typically leases with a fixed term of between one and eight years or short-term master lease agreements where there is no term and the equipment can be returned at any time without penalty. Revenue is recorded on an accrual basis for master lease agreements as these agreements have no fixed term. For long-term leases, revenue is recorded on a straight-line basis when earned according to the terms of the rental contracts. These contracts are classified as operating leases. Early termination of the rental contracts subjects the lessee to a penalty, which is included in rental revenue upon such termination.

Included in rental revenue is revenue consisting primarily of fees charged to the lessee for handling, delivery, repairs, and fees relating to the Company’s damage protection plan, which are recognized as earned.

Management Fee Revenue and Gain on Sale of Equipment Portfolios

In addition to renting equipment, the Company sells leased equipment portfolios to third-party investor groups. After the date of sale, the Company generally manages the equipment sold to the investor group. The Company has determined that the two deliverables under the arrangements, the sale of the equipment and the management services, are separate units of accounting, thus revenue is recognized for each unit.

In accordance with FASB ASU 2009-13, Multiple Deliverable Revenue Arrangements, the Company determines 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.

The Company evaluates 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 the Company concludes that the sale of equipment and the management services can be accounted for separately, the Company recognizes 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.

The Company recognizes revenue from management fees earned under equipment management agreements as earned on a monthly basis. Management fees are typically a percentage of net operating income of each investor group's fleet calculated on an accruals basis. Included in the Company's balance sheet are accounts receivable from the managed fleet which are uncollected lease billings related to managed equipment. With the exception of equipment managed under pooling agreements, all direct costs (storage, repairs, repositioning etc.) are charged to investors on a specific-identification basis or allocated basis. The Company's financial statements include accounts payable and accruals of expenses related to managed equipment. The net amount of rentals billed less expenses payable, less management fees, is recorded in amounts due to container investors on the balance sheet.

(n) Stock-Based Compensation

The Company has granted stock options and restricted stock to certain directors and employees under its 2007 Equity Incentive Plan. The Company accounts for stock-based compensation in accordance with FASB ASC 718, Compensation – Stock Compensation, which requires that compensation cost related to stock-based compensation be recognized in the financial statements. The cost is measured at the date the award is granted based on the fair value of the award. The fair value of stock options is calculated using the Black-Scholes-Merton option pricing model. The stock-based compensation expense is recognized over the vesting period of the grant. (See Note 8)

(o) Repairs and Maintenance

The Company's leases generally require the lessee to pay for any damage to the equipment beyond normal wear and tear at the end of the lease term. The Company accounts for repairs and maintenance expense on an accrual basis when an obligation to pay has been incurred.

(p) Recent Accounting Pronouncements

In June 2011, the FASB issued guidance to increase the prominence of other comprehensive income in financial statements. Under this guidance, an entity has the option to present the components of net income and comprehensive income in either one or two consecutive financial statements. The option to present other comprehensive income in the statement of changes in equity has been eliminated. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The implementation of the accounting guidance did not have a material effect on the Company's consolidated financial statements.

(3)Consolidation of Variable Interest Entities as a Non-Controlling Interest

The Company currently enters into two types of container fund arrangements with investors which are reviewed under ASC 810, Consolidation. These arrangements include container funds that the Company manages for investors and container funds that have entered into financing arrangements with investors. Included among several of the funds that the Company manages, 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 (see Note 12). Each of the funds is financed by unrelated Japanese third party investors.

Managed Container Funds

All container funds under management by the Company are considered VIEs because as manager of the funds, the Company has the power to direct the activities that most significantly impact the entity's economic performance including the leasing and managing of containers owned by the funds. With the exception of two specific Japanese funds established in September 2010, the fees earned for arranging, managing and establishing the funds are not significant to the expected returns of the funds so the Company does not have a variable interest in the funds. The rights to receive benefits and obligations to absorb losses that could potentially be significant to the funds belong to the third party investors, so the Company concluded that it is not the primary beneficiary of the funds. With the exception of the sale of containers to the two Japanese funds established in September 2010, the Company recognizes gain on sale of containers to the unconsolidated VIEs as sales in the ordinary course of business. For the years ended December 31, 2012 and 2011, the Company sold $10.3 million and $24.9 million, respectively, of equipment portfolios to the Japanese VIEs and recognized gains on sale of $1.3 million and $2.3 million, respectively. No container portfolios were sold to the Japanese VIEs in the year ended December 13, 2013.

In September 2010, the Company transferred approximately $16.0 million of containers to two specific Japanese funds that were considered VIEs. The terms of the transaction included options for the Company to purchase the containers from the funds at a fixed price. As a result of the residual interest resulting from the fixed price call option, the Company concluded that it may absorb a significant amount of the variability associated with the funds' anticipated economic performance and as a result the Company had a variable interest in the funds. As the Company had the power to direct the activities that most significantly impacted the economic performance of the VIEs and the variable interest provided the Company with the right to receive benefits from the entity that could potentially be significant to the funds, the Company determined that it was the primary beneficiary of these two specific VIEs and included the VIEs' assets and liabilities, results of operations and cash flows in the Company's consolidated financial statements. The container equipment, cash held by the container funds and net investment in direct finance leases, were included on the Company's consolidated balance sheet with the offsetting equity related to the funds presented separately as non-controlling interest.

During the third quarter of 2012, the Company terminated its management agreements with the two Japanese VIEs and purchased all the container equipment legally owned by them. As the Company previously consolidated these two Japanese VIEs, the purchase of the containers was considered a repurchase of the non-controlling interest for accounting purposes. The Company paid cash of $15.3 million and contributed cash and other assets from the two Japanese VIEs of $4.2 million in consideration for the non-controlling interest of $19.5 million. No gain or loss was recognized by the Company upon the repurchase of the non-controlling interest and subsequent deconsolidation of the two Japanese VIEs. The results of the VIEs' operations have been included in the Company's consolidated statements of income until the date of deconsolidation. Net income of $0.8 million and $0.6 million attributable to the two

Japanese funds, is presented as net income attributable to non-controlling interest in the Company's consolidated statements of income for the years ended December 31, 2012 and 2011, respectively.

Collateralized Financing Obligations

During the years ended December 31, 2013, 2012 and 2011, the Company transferred containers with a total net book value of $94.9 million to Japanese investor funds while concurrently entering into lease agreements for the same containers, under which the Company leases the containers back from the Japanese investors. In accordance with ASC 840, Sale-Leaseback Transactions, the Company concluded these were financing transactions under which sale-leaseback accounting was not applicable.

The container funds under financing arrangements are considered VIEs under ASC 810 because as lessee of the funds, the Company has the power to direct the activities that most significantly impact each entity's economic performance including the leasing and managing of containers owned by the funds. The terms of the transactions include options for the Company to purchase the containers from the funds at a fixed price. As a result of the residual interest resulting from the fixed price call option, the Company concluded that it may absorb a significant amount of the variability associated with the funds' anticipated economic performance and as a result the Company has a variable interest in the funds. As the Company has the power to direct the activities that most significantly impact the economic performance of the VIEs and the variable interest provides the Company with the right to receive benefits from the entity that could potentially be significant to the funds, the Company determined that it is the primary beneficiary of these VIEs and included the VIEs' assets and liabilities as of December 31, 2013 and 2012, and the results of the VIE's operations and cash flows for the years ended December 31, 2013, 2012 and 2011 in the Company's consolidated financial statements.

The containers that were transferred to the Japanese investor funds had a net book value of $84.2 million as of December 31, 2013. The container equipment, together with $14.6 million of cash held by the investor funds, has been included on the Company's consolidated balance sheet with offsetting liability related to the funds presented as collateralized financing obligations of $101.3 million in the debt section of the Company's consolidated balance sheet. See Note 7(f) for additional information. No gain or loss was recognized by the Company on the initial consolidation of the VIEs.

(4)Net Investment in Direct Finance Leases

The following table represents the components of the Company's net investment in direct finance leases (in thousands):

	December 31, 2013	December 31, 2012
Gross finance lease receivables (1)	$ 103,887	$ 116,999
Unearned income (2)	(22,679)	(31,445)
Net investment in direct finance leases	$ 81,208	$ 85,554

(1) At the inception of the lease, the Company records the total minimum lease payments, executory costs, if any, and unguaranteed residual value as gross finance lease receivables. The gross finance lease receivable is reduced as customer payments are received. Approximately $0.1 and $9.1 million of unguaranteed residual value at December 31, 2013 and 2012, respectively, were included in gross finance lease receivables. There were no executory costs included in gross finance lease receivables as of December 31, 2013 and 2012.

(2) The difference between the gross finance lease receivable and the cost of the equipment or carrying amount at the lease inception is recorded as unearned income. Unearned income together with initial direct costs, are amortized to income over the lease term so as to produce a constant periodic rate of return. There were no unamortized initial direct costs as of December 31, 2013 and 2012.

In order to estimate the allowance for losses contained in the gross finance lease receivables, the Company reviews the credit worthiness of its customers on an ongoing basis. The review includes monitoring credit quality indicators, the aging of customer receivables and general economic conditions.

The categories of gross finance lease receivables based on the Company's internal customer credit ratings can be described as follows:

Tier 1— These customers are typically large international shipping lines that have been in business for many years and have world-class operating capabilities and significant financial resources. In most cases, the Company has had a long commercial relationship with these customers and currently maintains regular communication with them at several levels of management, which provides the Company with insight into the customer's current operating and financial performance. In the Company's view, these customers have the greatest ability to withstand cyclical down turns and would likely have greater access to needed capital than lower-rated customers. The Company views the risk of default for Tier 1 customers to range from minimal to modest.

Tier 2— These customers are typically either smaller shipping lines or freight forwarders with less operating scale or with a high degree of financial leverage, and accordingly the Company views these customers as subject to higher volatility in financial performance over the business cycle. The Company generally expects these customers to have less access to capital markets or other sources of financing during cyclical down turns. The Company views the risk of default for Tier 2 customers as moderate.

Tier 3— Customers in this category exhibit volatility in payments on a regular basis.

Based on the above categories, the Company's gross finance lease receivables were as follows (in thousands):

	December 31, 2013	December 31, 2012
Tier 1	$ 85,990	$ 98,611
Tier 2	17,897	18,388
Tier 3	-	-
	$ 103,887	$ 116,999

Contractual maturities of the Company's gross finance lease receivables subsequent to December 31, 2013 are as follows (in thousands):

2014	$ 20,182
2015	19,726
2016	18,125
2017	18,363
2018	18,047
2019 and thereafter	9,444
	$ 103,887

(5)Intangible Assets

The Company's intangible assets as of December 31, 2013 and 2012 were as follows (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
December 31, 2013			
Trademarks	$ 1,278	$ (962)	$ 316
Contracts- third party	3,650	(3,650)	-
Contracts- owned equipment	4,037	(3,676)	361
	$ 8,965	$ (8,288)	$ 677
December 31, 2012			
Trademarks	$ 1,278	$ (831)	$ 447
Contracts- third party	3,650	(3,259)	391
Contracts- owned equipment	3,960	(3,357)	603
	$ 8,888	$ (7,447)	$ 1,441

Intangible assets allocated to the equipment leasing and equipment management reporting units, net of accumulated amortization, were $0.6 million and $0.1 million, respectively, as of December 31, 2013, and $0.9 million and $0.6

million, respectively, as of December 31, 2012.

Amortization recorded for the years ended December 31, 2013, 2012 and 2011 was $0.8 million, $0.9 million and $1.3 million respectively. Estimated future amortization expenses are as follows (in thousands):

2014	$ 384
2015	210
2016	83
	$ 677

(6)Equipment Leases

The Company leases its equipment on either short-term operating leases through master lease agreements, long-term non-cancelable operating leases, or finance leases. The following represents future minimum rents receivable under long-term non-cancelable operating leases as of December 31, 2013 (in thousands):

2014	$ 134,984
2015	115,983
2016	94,742
2017	72,337
2018	56,262
2019 and thereafter	61,300
	$ 535,608

See Note 4 for contractual maturities of the Company's gross finance lease receivables.

(7)Debt and Capital Lease Obligations

Debt

Details of the Company's debt as of December 31, 2013 and 2012 were as follows (dollars in thousands):

		December 31, 2013			December 31, 2012			
		Outstanding		Average	Outstanding		Average	Agreement
Reference		Current	Long-term	Interest	Current	Long-term	Interest	Terminates
(a)(i)	Revolving credit facility	$ -	$ 235,000	1.9%	$ -	$ 160,000	3.0%	March 2018
(a)(ii)	Revolving credit facility - Rail	-	54,469	2.4%	-	41,469	2.5%	June 2015
(b)(i)	Term loan	8,400	27,300	2.3%	800	6,600	2.7%	April 2018
(b)(ii)	Term loan	7,500	111,875	2.5%	24,964	230,651	3.3%	December 2016
(b)(iii)	Term loan	9,940	119,320	2.2%	9,940	129,260	2.5%	April 2017

(c)	Senior secured notes	8,240	86,520	4.9%	8,240	94,760	4.9%	September 2022
(d)	Asset backed notes	40,000	322,875	3.4%	17,100	151,050	3.5%	March 2028
(e)	Collateralized financing obligations	-	101,269	1.0%	-	75,200	1.1%	December 2016
	Total Debt	$ 74,080	$ 1,058,628		$ 61,044	$ 888,990		

(a) Revolving Credit Facilities
Revolving credit facilities consist of the following:

(i) On March 15, 2013, the Company 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 the Company's prior revolving credit facility to reduce the interest rate, increase the facility commitment and revise certain covenants to provide the Company with additional flexibility. As of December 31, 2013, the maximum commitment under the revolving credit facility was $760.0 million. The Company's revolving credit facility may be increased up to a maximum of $960.0 million, in accordance with the terms of the agreement, so long as no default or event of default exists either before or immediately after giving effect to the increase. 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 the Company. These credit commitments are part of, and not in addition to, the total commitment provided under the agreement. 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. In addition to various financial and other covenants, the Company's revolving credit facility also includes certain restrictions on the Company's ability to incur other indebtedness or pay dividends to stockholders. As of December 31, 2013, the Company was in compliance with the terms of the revolving credit facility.

As of December 31, 2013, the Company had $524.9 million in availability under the revolving credit facility (net of $0.1 million in letters of credit) subject to its 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 Company's revolving credit facility, including any amounts drawn on the facility, is secured by substantially all of the assets of the Company (not otherwise used as security for its other credit facilities) including the containers owned by the Company, the underlying leases thereon and the Company's interest in any money received under such contracts.

(ii) On June 7, 2012, CAI and CAI Rail Inc. (CAI Rail), a wholly-owned subsidiary of the Company, entered into a revolving credit agreement with a consortium of banks to finance the acquisition of railcars. As of December 31, 2013, the maximum credit commitment under the revolving line of credit was $85.0 million.

Borrowings under the 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. For domestic base rate loans, the interest rate is equal to the highest of (i) the daily federal funds open rate as published by the Federal Reserve Bank of New York and (ii) the administrative agent's published "Reference Rate", in each case plus a margin based on certain conditions.

As of December 31, 2013, CAI Rail had $30.5 million in availability under the revolving credit facility, subject to its 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 agreement governing CAI Rail's revolving credit facility contains various financial and other covenants. As of December 31, 2013, CAI Rail was in compliance with the terms of the revolving credit facility. CAI Rail's revolving credit facility, including any amounts drawn on the facility, is secured by all of the assets of CAI Rail and is guaranteed by the Company.

(b) Term Loans
Term loans consist of the following:

(i) On August 20, 2009, the Company signed a $10.0 million five-year loan agreement with the Development Bank of Japan (DBJ). The loan is payable in 19 quarterly installments of $0.2 million starting October 31, 2009 and a final payment of $6.2 million on July 31, 2014. On March 22, 2013, the Company entered into an additional $30.0 million five-year loan agreement with 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. Both loans bear interest at variable rates based on LIBOR. As of December 31, 2013, the loans had a combined balance of $35.7 million.

The following are the estimated future principal and interest payments under these loans as of December 31, 2013 (in thousands). The payments were calculated assuming the interest rate remains 2.3% through maturity of the loan.

2014	$ 9,172
2015	2,299
2016	2,365
2017	2,322
2018	22,144
	38,302
Less: Amount representing interest	(2,602)
Term loan	$ 35,700

(ii) On December 20, 2010, the Company entered into a term loan agreement with a consortium of banks. Under this loan agreement, the Company was eligible to borrow up to $300.0 million, subject to certain borrowing conditions, which amount is secured by certain assets of the Company's 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. The Base Rate is defined as the highest of (i) the federal funds rate plus 1/2 of 1.0%, (ii) the prime rate (as published in The Wall Street Journal), and (iii) the Eurodollar rate (for three-month loans) plus 1.0%.

On March 28, 2013, the term loan agreement was amended to: (a) reduce 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 Note 6(d) below); (b) reduce the interest rate on the remaining loan balance; and (c) revise certain covenants under the term loan agreement to provide increased flexibility to the Company. Quarterly payments of principal have been reduced to $1.9 million with the balance of the unpaid principal due on December 20, 2016. As of December 31, 2013, the term loan had a balance of $119.4 million.

The following are the estimated future principal and interest payments under this loan as of December 31, 2013 (in thousands). The payments were calculated assuming the interest rate remains 2.5% through maturity of the loan.

2014	$ 10,449
2015	10,259
2016	106,951
	127,659
Less: Amount representing interest	(8,284)
Term loan	$ 119,375

(iii) On April 11, 2012, the Company entered into a term loan agreement with a consortium of banks. The agreement, which was amended on August 31, 2012 and May 30, 2013, provides for a five year term loan of up to $142.0 million, subject to certain borrowing conditions, which amount is secured by certain assets of the Company. 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, amortized quarterly, and require quarterly payments equal to 1.75% multiplied by the outstanding principal amount at such time. The facility contains various financial and other covenants. 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, 2013, the loan had a balance of $129.3 million.

The following are the estimated future principal and interest payments under this loan as of December 31, 2013 (in thousands). The payments were calculated assuming the interest rate remains 2.2% through maturity of the loan.

2014	$ 12,711
2015	12,492
2016	12,279
2017	100,521
	138,003
Less: Amount representing interest	(8,743)
Term loan	$ 129,260

(c) Senior Secured Notes

On September 13, 2012, Container Applications Limited (CAL), a wholly-owned subsidiary of the Company, entered into a Note Purchase Agreement with certain institutional investors, pursuant to which CAL issued $103.0 million of its 4.90% Senior Secured Notes due September 13, 2022 (the Notes) to the investors. The Notes are guaranteed by the Company and secured by certain assets of CAL and the Company.

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. The Note Purchase Agreement provides that CAL may prepay at any time all or any part of the Notes in an amount not less than 10% of the aggregate principal amount of the Notes then outstanding. As of December 31, 2013, the Notes had a balance of $94.8 million.

The following are the estimated future principal and interest payments under the Notes as of December 31, 2013 (in thousands). The payments were calculated based on the fixed interest rate of 4.9%.

2014	$ 12,782
2015	12,379
2016	10,910
2017	9,519
2018	9,220
2019 and thereafter	68,331
	123,141
Less: Amount representing interest	(28,381)
Senior secured notes	$ 94,760

(d) Asset-Backed Notes

On October 18, 2012, CAL Funding II Limited (CAL II), a wholly owned indirect subsidiary of CAI, issued $171.0 million of 3.47% fixed rate asset-backed notes (Series 2012-1 Asset-Backed Notes). Principal and interest on the Series 2012-1 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 revolving credit facility. As of December 31, 2013, the Series 2012-1 Asset-Backed Notes had a balance of $151.1 million.

On March 28, 2013, CAL II issued $229.0 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 is payable monthly commencing on April 25, 2013, and the Series 2013-1 Asset-Backed Notes mature in March 2028. The proceeds from the Series 2013-1 Asset-Backed Notes were used partly to reduce the balance of the Company’s term loan as described in Note 7 (b)(ii) above, and to partially pay down the Company’s senior revolving credit facility. The Series 2013-1 Asset-Backed Notes had a balance of $211.8 million as of December 31, 2013.

The following are the estimated future principal and interest payments under the Asset-Backed Notes as of December 31, 2013 (in thousands). The payments were calculated based on the weighted average fixed interest rate of 3.4%.

2014	$ 51,714
2015	50,353
2016	48,993
2017	47,632
2018	46,272
2019 and thereafter	174,394
	419,358

Less: Amount representing interest	(56,483)
Asset-backed notes	$ 362,875

(e) Collateralized Financing Obligations

As of December 31, 2013, the Company had collateralized financing obligations of $101.3 million (see Note 3). The obligations had an average interest rate of 1.0% as of December 31, 2013 with maturity dates between June 2015 and December 2016. The debt is secured by a pool of containers covered under the financing arrangements.

The following are the estimated future principal and interest payments under the Company's collateralized financing obligations as of December 31, 2013 (in thousands). The payments were calculated assuming an average interest rate of 1.0% through maturity of the obligations.

2014	$ -
2015	62,720
2016	41,780
	104,500
Less: Amount representing interest	(3,231)
Collateralized financing obligations	$ 101,269

Capital Lease Obligations

As of December 31, 2013, the Company had capital lease obligations of $5.3 million. The underlying obligations are denominated in U.S. Dollars and Euros at floating interest rates averaging 2.4% as of December 31, 2013 with maturity dates between June 2014 and June 2019. The loans are secured by containers covered by the lease obligations.

The following are the estimated future principal and interest payments under capital lease obligations as of December 31, 2013 (in thousands). The payments were calculated assuming the interest rate remains 2.4% through maturity of the loans.

2014	$ 2,026
2015	1,488
2016	887
2017	591
2018	412
2019 and thereafter	111
	5,515
Less: Amount representing interest	(228)
Capital lease obligations	$ 5,287

The Company's term loans, senior secured notes, asset backed notes and collateralized financing 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. The agreements relating to all of the Company’s debt contain various financial and other covenants. As of December 31, 2013, the Company was in compliance with all of its debt covenants.

(8)Stock–Based Compensation Plan

Stock Options

The Company grants stock options to certain employees and independent directors pursuant to its 2007 Equity Incentive Plan (Plan) which was adopted on April 23, 2007 and amended on June 5, 2009, June 3, 2011 and June 8, 2012. The following table summarizes the activity in the Company’s stock option plan for the three years ended December 31, 2013:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Options outstanding, December 31, 2010	972,680	$ 10.32		
Options granted - employees	180,000	$ 24.82		
Options granted - directors	40,000	$ 21.62		
Options outstanding, December 31, 2011	1,192,680	$ 12.89		
Options granted - employees	111,000	$ 17.77		
Options granted - directors	40,000	$ 17.77		
Options forfeited - employees	(8,000)	$ 17.77		
Options outstanding, December 31, 2012	1,335,680	$ 13.41		
Options granted - employees	51,300	$ 26.41		
Options granted - directors	40,000	$ 26.41		
Options forfeited - employees	(3,501)	$ 14.87		
Options exercised - employees	(159,994)	$ 9.53		$ 2,334
Options outstanding, December 31, 2013	1,263,485	$ 14.84	5.8	$ 11,528
Options exercisable at December 31, 2013	1,049,685	$ 13.09	5.3	$ 11,164
Expected to vest after December 31, 2013	213,800	$ 23.45	8.6	$ 363

The aggregate intrinsic value represents the value by which the Company's closing stock price of $23.57 per share on the last trading day of the year ended December 31, 2013 exceeds the exercise price of the stock multiplied by the number of options outstanding or exercisable, excluding options that have a zero or negative intrinsic value. The aggregate intrinsic value of options exercised during 2013 is based on the closing share price on the date each option was exercised.

The total fair value of stock options granted to the Company's employees and independent directors at the time of grant was approximately $1.3 million, or $14.10 per share, $1.3 million, or $8.36 per share, and $2.6 million, or $12.04 per share for the years ended December 31, 2013, 2012 and 2011, respectively, calculated using the Black-Scholes-Merton pricing model under the following weighted average assumptions:

	2013		2012		2011	
Stock price	$ 26.41		$ 17.77		$ 24.24	
Exercise price	$ 26.41		$ 17.77		$ 24.24	
Expected term:						
Employees	6.25 years		6.25 years		6.25 years	
Directors	5.5 years		5.5 years		5.5 years	
Expected volatility:						
Employees	56.70	%	49.50	%	50.10	%
Directors	58.60	%	50.20	%	50.80	%
Dividend yield	-	%	-	%	-	%
Risk free rate:						
Employees	1.35	%	0.75	%	1.89	%
Directors	1.16	%	0.75	%	1.89	%

The expected option term is calculated using the simplified method in accordance with SEC guidance. Prior to 2013, in the absence of sufficient historical data, 50% of the assumed volatility was derived from the average volatility of common shares for similar companies over a period approximating the expected term of the options. The remaining 50% of the expected volatility was derived from the average volatility of the Company's common shares since their initial public offering in 2007. Stock options granted in 2013 used 100% of the average volatility of the Company's stock over a period approximating the expected term of the options. The risk-free rate is based on daily U.S. Treasury yield curve with a term approximating the expected term of the option. No forfeiture was estimated on all options granted during the years ended December 31, 2013 and 2012 as management believes that none of the grantees will leave the Company within the option vesting period.

The Company recorded stock-based compensation expense of $1.4 million, $1.3 million and $1.1 million relating to stock options for the years ended December 31, 2013, 2012 and 2011, respectively. As of December 31, 2013, the remaining unamortized stock-based compensation cost relating to stock options granted to the Company's employees and independent directors was approximately $2.1 million which is to be recognized over the remaining average vesting period of 2.1 years.

Restricted Stock Grant

During the year ended December 31, 2013, the Company granted 28,150 shares of restricted common stock valued at $0.7 million to certain employees. The restricted stock was valued based on the closing price of the Company's stock on the date of grant. The restricted stock has a vesting period of 4 years. As of December 31, 2013, none of the restricted stock granted during 2013 had vested. The Company recognized $0.1 million of stock compensation expense relating to restricted stock for the year ended December 31, 2013 and none for the years ended December 31, 2012 and 2011. Unamortized stock compensation expense relating to restricted stock as of December 31, 2013 was $0.6 million to be recognized over the remaining average vesting period of 3.4 years.

Stock-based compensation expense is recorded as a component of marketing, general and administrative expenses in the Company's consolidated statements of income with a corresponding credit to additional paid-in capital in the Company's consolidated balance sheet.

(9)Income Taxes

For the years ended December 31, 2013, 2012 and 2011 net income before income taxes and non-controlling interest consisted of the following (in thousands):

	Year Ended December 31,		
	2013	2012	2011
U.S. operations	$ 9,225	$ 15,595	$ 21,909
Foreign operations	62,352	58,504	39,989
	$ 71,577	$ 74,099	$ 61,898

Income tax expense attributable to income from operations consisted of (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Current			
Federal	$ 2,032	$ 1,557	$ 6,261
State	37	38	29
Foreign	1,783	2,209	1,241
	3,852	3,804	7,531
Deferred			
Federal	2,777	5,297	2,623
State	(469)	(257)	89
Foreign	897	974	841
	3,205	6,014	3,553
Income tax expense	$ 7,057	$ 9,818	$ 11,084

The reconciliations between the Company’s income tax expense and the amounts computed by applying the U.S. federal income tax rate of 35.0% for the years ended December 31, 2013, 2012 and 2011 are as follows (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Computed expected tax expense	$ 25,052	$ 25,935	$ 21,668
Increase (decrease) in income taxes resulting from:			
Foreign tax differential	(19,046)	(17,294)	(11,919)
State income tax expense, net of federal income tax benefit	(514)	(66)	154
Subpart F income	1,255	1,404	851
Increase (decrease) in uncertain tax liabilities	124	(78)	185
Non-deductible stock-based compensation	92	86	68
Other	94	(169)	77
	$ 7,057	$ 9,818	$ 11,084

As of December 31, 2013 the Company had $33.0 million and $7.3 million of net operating loss (NOL) carry forwards available to offset future foreign and state taxable income, respectively. The NOL carry forwards will begin to expire in 2017 and 2029 for foreign and state income tax purposes, respectively.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2013 and 2012 are presented below (in thousands):

	Year Ended December 31,	
	2013	2012
Deferred tax assets:		
Accounts receivable (owned fleet)	$ 44	$ 179
Accrued expenses and other current liabilities	105	78
State taxes	1	1
Unearned revenue	190	1,983
Stock-based compensation	1,777	1,540
Interest expense	8	6
Tax credits	4	8
Net operating loss carry forwards	1,488	1,562
Gross deferred tax assets	3,617	5,357
Deferred tax liabilities:		
Intangible assets	112	296
Depreciation and amortization	37,131	36,817
Foreign deferred tax liabilities	3,325	3,222
Deferred subpart F income	4,087	2,832
Unrealized gain	29	52
Net deferred tax liability	$ 41,067	$ 37,862

The realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company's management considers the projected future taxable income for making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company's management believes it is more likely than not the Company will realize the benefits of the deductible differences noted above.

Deferred income taxes have not been provided on the undistributed earnings of foreign subsidiaries. As of December 31, 2013, the amount of such earnings totaled approximately $190.0 million. These earnings have been permanently reinvested and the Company does not plan to initiate any action that would precipitate the payment of income taxes thereon. The amount of income taxes that would have resulted had such earnings been repatriated is not practically determinable.

The Company is required to recognize in the financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The Company has elected to record penalties and interest associated with uncertain tax position within income tax expense. The Company accrues for unrecognized tax benefits based upon its best estimate of the additional taxes, interest and penalties expected to be paid. These estimates are updated over time as more definitive information becomes available from taxing authorities,

completion of tax audits, expiration of statute of limitations, or upon occurrence of other events.

The following table summarizes the activity related to the Company's unrecognized tax benefits (in thousands):

Balance at January 1, 2012	$ 256
Increases related to prior year tax positions	7
Increases related to current year tax positions	31
Decreases related to lapsing of statute	(72)
Decreases related to settlement	(40)
Balance at December 31, 2012	182
Increases related to prior year tax positions	116
Increases related to current year tax positions	19
Decreases related to lapsing of statute	(9)
Decreases related to settlement	(168)
Balance at December 31, 2013	$ 140

The unrecognized tax benefits of approximately $0.1 million at December 31, 2013, if recognized, would reduce the Company's effective tax rate. The Company accrued potential interest and penalties of less than $0.1 million related to unrecognized tax benefits for each of the years ended December 31, 2013 and 2012. The Company does not believe the total amount of unrecognized tax benefit as of December 31, 2013 will increase or decrease significantly in the next twelve months.

The Company is subject to taxation in the U.S. and various states and foreign jurisdictions. With few exceptions, as of December 31, 2013, the Company is no longer subject to U.S. federal, state, local or foreign examinations by tax authorities for years before 2009. In June 2013, the Company received notification from the IRS that they had completed their examination for both 2008 and 2009, making changes to taxable income for those years. The changes did not materially alter the Company's income tax for those years.

(10)Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash, accounts receivable and accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments. The Company's senior secured notes of $94.8 million, collateralized financing obligations of $101.3 million and asset backed notes of $362.9 million as of December 31, 2013 were estimated to have fair values of approximately $93.6 million, $98.4 million and $359.2 million, respectively, based on the fair value of estimated future payments calculated using the prevailing interest rates. The fair value of these financial instruments would be categorized as Level 3 of the fair value hierarchy. Management believes that the balances of the Company's revolving credit facilities of $289.5 million, term loans totaling $284.3 million, capital lease obligations of $5.3 million and net investment in direct finance leases of $81.2 million approximate their fair values as of December 31, 2013. The fair value of these financial instruments would be categorized as Level 3 of the fair value hierarchy.

(11)Commitments and Contingencies

The Company utilizes certain office facilities and office equipment under non-cancelable operating lease agreements which generally have original terms of up to five years. Future minimum lease payments required under non-cancellable operating leases having an original term of more than one year as of December 31, 2013 are as follows (in thousands):

	Office Facilities and Equipment
Year ending December 31:	
2014	$ 1,324
2015	1,103

2016	1,064
2017	867
2018	5
	$ 4,363

Office facility expense was $1.4 million for the years ended December 31, 2013 and 2012 and $1.3 million for the year ended December 31, 2011, and was included in marketing, general and administrative expense in the consolidated statements of income.

As of December 31, 2013 and 2012, the Company had one outstanding letter of credit of $0.1 million. The letter of credit guarantees the Company’s obligations under certain operating lease agreements.

In addition to the rental equipment payable of $45.2 million, the Company had commitments to purchase approximately $5.9 million of container equipment as of December 31, 2013.

In the ordinary course of business, the Company executes contracts involving indemnifications standard in the industry and indemnifications specific to a transaction such as an assignment and assumption agreement. These indemnifications might include claims related to tax matters, governmental regulations, and contractual relationships. Performance under these indemnities would generally be triggered by a breach of terms of the contract or by a third-party claim. The Company regularly evaluates the probability of having to incur costs associated with these indemnifications and as of December 31, 2013 there were no claims outstanding under such indemnifications and the Company believes that no claims are probable of occurring in the future.

(12)Related Party Transactions

The Company has transferred legal ownership of certain containers 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. JIA is owned and controlled by the Managing Director of CAIJ. Prior to the transfer of containers from the Company, the container funds received contributions from unrelated Japanese investors, under separate Japanese investment agreements allowed under Japanese commercial laws. The contributions were used to purchase container equipment from the Company. Under the terms of the agreements, the CAI-related Japanese entities manage the activities of certain Japanese entities 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 the Company manages the leasing activity of containers owned by the Japanese container funds.

As described in Note 3, the Japanese managed container funds and financing arrangements are considered VIEs. However, with the exception of two specific Japanese funds and the financing arrangements described in Note 3, the Company does not consider its interest in the managed Japanese container funds to be a variable interest. As such, the Company did not consolidate the assets and liabilities, results of operations or cash flows in its consolidated financial statements. The sale of containers to the unconsolidated Japanese VIEs has been recorded on the Company's books as a sale in the ordinary course of business.

As described in Note 3, the Company has included in its consolidated financial statements, the assets and liabilities, results of operations, and cash flows of the financing arrangements, in accordance with ASC 810, Consolidation. The Company has also included the results of operations and cash flows of the two specific Japanese container funds up to the date of their deconsolidation, in accordance with ASC 810.

(13)Capital Stock

On April 15, 2011, the Company filed a universal shelf registration statement on Form S-3 with the SEC which was declared effective by the SEC on May 31, 2011. Under this shelf registration statement, the Company 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 $250.0 million for all securities, and the selling stockholders may sell up to 2,500,000 shares of common stock in one or more offerings. Pursuant to this registration, the Company sold 2,757,170 shares of its common stock in December 2012 at $19.85 per share. The Company received $51.5 million (net of commissions and other expenses related to the offering) from the sale of its common stock.

(14)401(k) Savings Plan

The Company established a 401(k) plan in January 1995 for certain eligible employees. Company contribution to this plan was entirely at the Company's discretion. On October 1, 2007, the Company enhanced the plan to cover all of its U.S. employees. Under the enhanced provisions of the plan, an employee may contribute up to the statutory limit of

his or her salary into the plan. The Company matches employee contributions up to 4% of qualified compensation. The Company's contribution vests immediately. Company contribution to the plan for the years ended December 31, 2013, 2012 and 2011 was approximately $0.2 million, $0.2 million and $0.1 million, respectively.

(15)Segment Information

The Company operates in one industry segment, equipment leasing, but has two reportable business segments; equipment leasing and equipment management. The equipment leasing segment derives its revenue primarily from the ownership and leasing of containers to container shipping lines and freight forwarders. The equipment management segment derives its revenue from management fees earned from portfolios of equipment and associated leases which are managed on behalf of third-party investors. The Company also derives revenue from the sale of equipment to third-party investors who in turn enter into management agreements with the Company. There are no inter-segment revenues.

With the exception of amortization of intangible assets and marketing, general and administrative expenses (MG&A), operating expenses are directly attributable to the equipment leasing segment. Amortization of intangible assets relating to owned and third party contracts is charged directly to the equipment leasing segment and equipment management segment, respectively. The amortization of remaining intangible assets relating to the trademark is allocated to the segments based on the average number of twenty-foot equivalent units (TEUs) of containers in each segment during the year.

MG&A expenses are allocated to each segment based on either revenue or the number of TEUs in each segment, depending on the function of the department which incurred the expense, after directly assigning MG&A expenses relating to CAI Consent Sweden AB and CAI Rail to the equipment leasing segment and MG&A expenses relating to CAIJ and CAI Deutschland GmbH to the equipment management segment.

The Company does not allocate interest income and income tax expense to its segments.

Total assets of the equipment management segment consist of managed accounts receivable, the net carrying value of the intangible asset relating to third party contracts and a portion of the intangible asset relating to trademarks (determined based on the percentage of average TEUs of managed containers to total average TEUs). The remaining balance of total assets is allocated to the equipment leasing business.

The following tables show condensed segment information for the years ended December 31, 2013, 2012 and 2011, reconciled to the Company's net income before income taxes and non-controlling interest as shown in its consolidated statements of income (in thousands):

	Year Ended December 31, 2013			
	Equipment Leasing	Equipment Management	Unallocated	Total
Rental revenue	$ 196,591	$ -	$ -	$ 196,591
Management fee revenue	-	7,866	-	7,866
Finance lease income	7,948	-	-	7,948
Total revenue	204,539	7,866	-	212,405
Depreciation of rental equipment	67,109	-	-	67,109
Amortization of intangible assets	351	429	-	780
Gain on disposition of used rental equipment	(7,356)	-	-	(7,356)
Storage, handling and other expenses	19,257	-	-	19,257
Marketing, general and administrative expenses	21,463	2,385	-	23,848
Loss on foreign exchange	82	-	-	82
Total operating expenses	100,906	2,814	-	103,720
Operating income	103,633	5,052	-	108,685
Interest expense	37,113	-	-	37,113
Interest income	-	-	(5)	(5)
Net interest expense	37,113	-	(5)	37,108
Net income before income taxes and non-controlling interest	$ 66,520	$ 5,052	$ 5	$ 71,577
Total assets	$ 1,664,851	$ 10,738	$ -	$ 1,675,589

	Year Ended December 31, 2012			
	Equipment Leasing	Equipment Management	Unallocated	Total
Rental revenue	$ 152,982	$ -	$ -	$ 152,982
Management fee revenue	-	12,094	-	12,094
Gain on sale of container portfolios	-	1,256	-	1,256
Finance lease income	7,593		-	7,593
Total revenue	160,575	13,350	-	173,925
Depreciation of rental equipment	48,352	-	-	48,352
Amortization of intangible assets	487	415	-	902
Gain on disposition of used rental equipment	(12,445)	-	-	(12,445)
Storage, handling and other expenses	9,402	-	-	9,402
Marketing, general and administrative expenses	18,320	6,338	-	24,658
Loss on foreign exchange	170	-	-	170
Total operating expenses	64,286	6,753	-	71,039
Operating income	96,289	6,597	-	102,886
Interest expense	28,796	-	-	28,796
Interest income	-	-	(9)	(9)
Net interest expense	28,796	-	(9)	28,787
Net income before income taxes and non-controlling interest	$ 67,493	$ 6,597	$ 9	$ 74,099
Total assets	$ 1,368,236	$ 19,705	$ -	$ 1,387,941

	Year Ended December 31, 2011			
	Equipment Leasing	Equipment Management	Unallocated	Total
Rental revenue	$ 106,694	$ -	$ -	$ 106,694
Management fee revenue	-	12,957	-	12,957
Gain on sale of container portfolios	-	2,345	-	2,345
Finance lease income	3,710		-	3,710
Total revenue	110,404	15,302	-	125,706
Depreciation of rental equipment	33,633	-	-	33,633
Amortization of intangible assets	625	629	-	1,254
Gain on disposition of used rental equipment	(13,374)	-	-	(13,374)
Storage, handling and other expenses	5,513	-	-	5,513
Marketing, general and administrative expenses	14,412	6,597	-	21,009
Gain on foreign exchange	(354)	-	-	(354)
Total operating expenses	40,455	7,226	-	47,681
Operating income	69,949	8,076	-	78,025
Interest expense	16,139	-	-	16,139

Interest income	-	-	(12)	(12)
Net interest expense	16,139	-	(12)	16,127
Net income before income taxes and non-controlling interest	$ 53,810	$ 8,076	$ 12	$ 61,898
Total assets	$ 933,094	$ 20,274	$ -	$ 953,368

Geographic Data

The Company's container lessees use containers for their global trade utilizing many worldwide trade routes. The Company earns its revenue from international carriers when the containers are in use and carrying cargo around the world. Most of the Company's leasing related revenue is denominated in U.S. dollars. Since all of the Company's containers are used internationally and typically no container is domiciled in one particular place for a prolonged period of time, all of the Company's long-lived container assets are considered to be international with no single country of use.

The Company's railcars, with a net book value of $69.5 million as of December 31, 2013, are used primarily to transport cargo within North America.

(16)Revenue Concentration

Equipment Leasing Segment Concentration. Revenue from the Company's ten largest lessees represented 58.8%, 58.5% and 57.6% of the revenue from its equipment leasing segment for the years ended December 31, 2013, 2012 and 2011, respectively. Revenue from the Company's single largest lessee accounted for 11.6%, or $23.8 million, 12.6 %, or $20.3 million, and 11.3%, or $12.5 million, of revenue from its equipment leasing segment for the years ended December 31, 2013, 2012 and 2011, respectively, and 11.2%, 11.7% and 9.9% of the Company's total revenue for the years ended December 31, 2013, 2012 and 2011, respectively. The largest lessees of the Company's owned fleet are often among the largest lessees of its managed fleet. The largest lessees of our managed fleet are responsible for a significant portion of the billings that generate our management fee revenue.

Equipment Management Segment Concentration. A substantial majority of the Company's equipment management segment revenue is derived from third-party investors associated with five different investment funds located in Switzerland, Germany and Japan. Third-party investors associated with the five investment funds represented 76.3%, 62.6% and 65.4% of the Company's total equipment management segment revenue for the years ended December 31, 2013, 2012 and 2011, respectively. Revenue from the two largest third-party investors represented 51.5%, or $4.0 million, of revenue from the Company's equipment management segment or 1.9% of total revenue for the year ended December 31, 2013.

(17)Earnings per Share

Basic earnings per share is computed by dividing income attributable to CAI common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock; however, potential common equivalent shares are excluded if their effect is anti-dilutive.

The following table sets forth the reconciliation of basic and diluted net income per share for the years ended December 31, 2013, 2012 and 2011 (in thousands, except per share data):

	Year Ended December 31,		
	2013	2012	2011
Numerator			
Net income attributable to CAI common stockholders used in the calculation of basic and diluted earnings per share	$ 63,926	$ 63,465	$ 50,189
Denominator			
Weighted-average shares used in the calculation of basic earnings per share	22,157	19,495	19,295
Effect of dilutive securities:			
Stock options and restricted stock	515	450	398
Weighted-average shares used in the calculation of diluted earnings per share	22,672	19,945	19,693
Net income per share attributable to CAI common stockholders:			
Basic	$ 2.89	$ 3.26	$ 2.60
Diluted	$ 2.82	$ 3.18	$ 2.55

The denominator used in the calculation of diluted income per share for the years ended December 31, 2013, 2012 and 2011 excluded options for 271,300 shares, 363,000 shares and 232,500 shares, respectively, of common stock granted to employees and directors because their effect would have been antidilutive.

(18)Selected Quarterly Financial Data (Unaudited)

The following table sets forth key interim financial information for the years ended December 31, 2013 and 2012 (in thousands, except per share amount):

	2013 Quarters Ended				2012 Quarters Ended			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenue	$ 54,561	$ 53,898	$ 52,987	$ 50,959	$ 49,854	$ 44,939	$ 39,725	$ 39,407
Operating expenses	27,770	27,695	25,144	23,111	20,268	18,893	15,363	16,515
Operating income	26,791	26,203	27,843	27,848	29,586	26,046	24,362	22,892
Net income available to CAI common stockholders	15,591	15,337	16,931	16,067	17,411	16,528	15,135	14,391
Basic and diluted earnings per share available to CAI common stockholders:								
Basic:	$ 0.70	$ 0.69	$ 0.76	$ 0.73	$ 0.87	$ 0.86	$ 0.78	$ 0.75
Diluted:	$ 0.69	$ 0.68	$ 0.75	$ 0.71	$ 0.85	$ 0.84	$ 0.77	$ 0.73

Schedule II

Valuation Accounts

(In thousands)

	Balance at Beginning of Period	Net Additions (Reductions) to Expense	(Deductions)*	Balance at End of Period
December 31, 2011				
Accounts receivable, allowance for doubtful accounts	$ 2,182	$ (936)	$ (427)	$ 819
December 31, 2012				
Accounts receivable, allowance for doubtful accounts	$ 819	$ 29	$ (54)	$ 794
December 31, 2013				
Accounts receivable, allowance for doubtful accounts	$ 794	$ (227)	$ (64)	$ 503

*Primarily consists of write-offs, net of recoveries and other adjustments

EXHIBIT INDEX

Exhibit

Exhibit

No.	Description
3.1	Amended and Restated Certificate of Incorporation of CAI International, Inc. (incorporated by reference to Exhibit 3.1 of our Registration Statement on Form S-1, as amended, File No. 333-140496, filed on April 24, 2007).
3.2	Amended and Restated Bylaws of CAI International, Inc. (incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K, filed on March 10, 2009).
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 of our Registration Statement on Form S-1, as amended, File No. 333-140496, filed on April 24, 2007).
4.2	Indenture, dated October 18, 2012, between CAL Funding II Limited and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K, filed on October 23, 2012).
4.3	Series 2012-1 Supplement, dated October 18, 2012, to Indenture dated October 18, 2012, between CAL Funding II Limited and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.2 of our Current Report on Form 8-K, filed on October 23, 2012).
4.4	Series 2013-1 Supplement, dated March 28, 2013, to Indenture dated October 18, 2012, between CAL Funding II Limited and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K, filed on April 3, 2013).
4.5	Note Purchase Agreement, dated March 21, 2013, among CAL Funding II Limited, Container Applications Limited, Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Santander Investment Securities Inc. (incorporated by reference to Exhibit 99.1 of our Current Report on Form 8-K, filed on April 3, 2013).
10.1	Amended and Restated Registration Rights Agreement, dated February 16, 2007, among CAI International, Inc., Hiromitsu Ogawa, Ogawa Family Trust dated 7/06/98, Ogawa Family Limited Partnership and DBJ Value Up Fund (incorporated by reference to Exhibit 10.7 of our Registration Statement on Form S-1, as amended, File No. 333-140496, filed on March 21, 2007).
10.2*	Form of Indemnification Agreement between CAI International, Inc. and each of its current executive officers and directors (incorporated by reference to Exhibit 10.8 of our Registration Statement on Form

S-1, as amended, File No. 333-140496, filed on April 24, 2007).

10.3*	2007 Equity Incentive Plan, as amended (incorporated by reference to Appendix A of our Definitive Proxy Statement on Schedule 14A, filed on April 27, 2012).
10.4‡‡	P&R Management Agreement, dated March 14, 2006, among Container Applications International, Inc., P&R Equipment & Finance Corporation and Interpool Containers Limited (incorporated by reference to Exhibit 10.12 of our Registration Statement on Form S-1, as amended, File No. 333-140496, filed on March 27, 2007).
10.5	Third Amended and Restated Revolving Credit Agreement, dated March 15, 2013, by and among CAI International, Inc., Container Applications Limited, the lending institutions listed on Schedule I thereto, Bank of America, N.A., as administrative agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Union Bank, N.A. and Wells Fargo Bank, N.A., as syndication agents, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Union Bank, N.A. and Wells Fargo Securities, LLC, as joint lead arrangers and book managers, and Bank of Montreal (Chicago Branch), JPMorgan Chase Bank, N.A. and Sovereign Bank, N.A., as co-agents (incorporated by reference to Exhibit 99.1 of our Current Report on Form 8-K, filed on March 21, 2013).
10.6	Term Loan Agreement, dated December 20, 2010, among Container Applications Limited, CAI International, Inc., the lenders listed on Schedule 1 thereto and ING Bank N.V. (incorporated by reference to Exhibit 99.1 of our Current Report on Form 8-K, filed on December 23, 2010).
10.7	Guaranty, dated December 20, 2010, among Container Applications International (U.K.) Limited, Container Applications International, Ltd., Container Applications (Malaysia) SDN BDH, Sky Container Trading Limited, Sky Domestic Container Leasing Limited, CAI Consent Sweden AB, CAI International GmbH and CAI International, Inc. (incorporated by reference to Exhibit 99.2 of our Current Report on Form 8-K, filed on December 23, 2010).

10.8 Amendment to the Term Loan Agreement, dated March 11, 2011, among Container Applications Limited, CAI International, Inc., and the other Guarantors listed on the signature pages thereto, the Lenders listed on the signature pages thereto, and ING Bank N.V. (incorporated by reference to Exhibit 10.17 of our Annual Report on Form 10-K for the year ended December 31, 2010, filed on March 16, 2011).

10.9 Second Amendment to the Term Loan Agreement, dated April 12, 2012, among Container Applications Limited, CAI International, Inc., and the other Guarantors listed on the signature pages thereto, the Lenders listed on the signature pages thereto, and ING Bank N.V. (incorporated by reference to Exhibit 99.3 of our Current Report on Form 8-K, filed on April 16, 2012).

10.10 Third Amendment to the Term Loan Agreement, dated August 31, 2012, among Container Applications Limited, CAI International, Inc., and the other Guarantors listed on the signature pages thereto, the Lenders listed on the signature pages thereto, and ING Bank N.V. (incorporated by reference to Exhibit 99.2 of our Current Report on Form 8-K, filed on September 4, 2012).

10.11 Fourth Amendment to the Term Loan Agreement, dated March 28, 2013, among Container Applications Limited, CAI International, Inc., the other guarantors listed on the signature pages thereto, the lending institutions listed on the signature pages thereto, and ING Bank N.V. (incorporated by reference to Exhibit 99.2 of our Current Report on Form 8-K, filed on April 3, 2013).

10.12 Term Loan Agreement, dated April 11, 2012, among Container Applications Limited, CAI International, Inc., the Lenders listed on Schedule I thereto, SunTrust Bank and SunTrust Robinson Humphrey, Inc. (incorporated by reference to Exhibit 99.2 of our Current Report on Form 8-K, filed on April 16, 2012).

10.13 First Amendment to Term Loan Agreement, dated August 31, 2012, among Container Applications Limited, CAI International, Inc., the Lenders listed on Schedule I thereto, SunTrust Bank and SunTrust Robinson Humphrey, Inc. (incorporated by reference to Exhibit 99.3 of our Current Report on Form 8-K, filed on September 4, 2012).

10.14 Revolving Credit Agreement, dated June 7, 2012, among CAI Rail Inc., CAI International, Inc., the lending institutions from time to time listed on Schedule 1 thereto, Union Bank, N.A., as administrative agent, and U.S. Bank, National Association, as joint lead arranger and syndication agent (incorporated by reference to Exhibit 99.1 of our Current Report on Form 8-K, filed on June 13, 2012).

10.15 First Amendment to Revolving Credit Agreement, dated August 31, 2012, among CAI Rail Inc., CAI International, Inc., the lending institutions from time to time listed on Schedule 1 thereto, Union Bank, N.A., as administrative agent, and U.S. Bank, National Association, as joint lead arranger and syndication agent (incorporated by reference to Exhibit 99.4 of our Current Report on Form 8-K, filed on September 4, 2012).

10.16 Contribution and Sale Agreement, dated October 18, 2012, between Container Applications Limited and CAL Funding II Limited (incorporated by reference to Exhibit 99.2 of our Current Report on Form 8-K, filed on October 23, 2012).

10.17 Performance Guaranty, dated October 18, 2012, made by CAI International, Inc. for the benefit of Wells Fargo Bank, National Association (incorporated by reference to Exhibit 99.3 of our Current Report on Form 8-K, filed on October 23, 2012).

10.18 Container Purchase Agreement, dated October 19, 2012, between Container Applications Limited and Dritte Schroeder Container Beteiligungsgesellschaft mbH & CO. KG (incorporated by reference to Exhibit 99.4 of our Current Report on Form 8-K, filed on October 23, 2012).

10.19 Container Purchase Agreement, dated October 19, 2012, between Container Applications Limited and Schroeder Leasing GMBH & Co. KG (incorporated by reference to Exhibit 99.5 of our Current Report on Form 8-K, filed on October 23, 2012).

10.20* Amended and Restated Employment Agreement, dated April 29, 2011, between CAI International, Inc. and Victor Garcia (incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2011, filed on May 6, 2011).

10.21* Employment Agreement, dated August 20, 2013, between CAI International, Inc. and Timothy B. Page (incorporated by reference to Exhibit 99.1 of our Current Report on Form 8-K, filed on August 23, 2013).

10.22* Service Agreement, dated August 20, 2013, between Container Applications International (UK) Limited and Daniel Hallahan (incorporated by reference to Exhibit 99.2 of our Current Report on Form 8-K, filed on August 23, 2013).

10.23* Chairman of the Board Compensation Agreement, dated June 5, 2009, between CAI International, Inc. and Hiromitsu Ogawa (incorporated by reference to Exhibit 10.1 of Amendment No. 1 to our Quarterly Report on Form 10-Q/A for the fiscal quarter ended June 30, 2009, filed on September 21, 2009).

10.24* Continuing Services Agreement, dated April 29, 2011, between Masaaki Nishibori and CAI International, Inc. (incorporated by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2011, filed on May 6, 2011).

21.1 Subsidiaries of CAI International, Inc.

23.1 Consent of KPMG LLP

31.1 Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)

31.2 Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)

32.1 Certification of Chief Executive Officer Furnished Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer Furnished Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101 The following financial statements, formatted in XBRL: (i) Consolidated Balance Sheets as of December 31, 2013 and 2012, (ii) Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011; (iv) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2013, 2012 and 2011; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011; and (vi) Notes to Consolidated Financial Statements.

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* Management contract or compensatory plan.

‡‡ Confidential treatment requested as to portions of this exhibit. Confidential information has been omitted and filed separately with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 28, 2014 CAI International, Inc.

By: /s/ VICTOR M. GARCIA
Victor M. Garcia
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant, in the capacities indicated, on the 28th day of February 2014.

Signature	Title(s)
/s/ HIROMITSU OGAWA Hiromitsu Ogawa	Chairman of the Board of Directors
/s/ VICTOR M. GARCIA Victor M. Garcia	President and Chief Executive Officer, Director
/s/ TIMOTHY B. PAGE Timothy B. Page	Chief Financial Officer
/s/ MASAAKI (JOHN) NISHIBORI Masaaki (John) Nishibori	Director
/s/ GARY M. SAWKA Gary M. Sawka	Director
/s/ MARVIN DENNIS Marvin Dennis	Director

/s/ WILLIAM W. LIEBECK William W. Liebeck	Director
/s/ DAVID G. REMINGTON David G. Remington	Director