

INTERPOOL INC  
Form DEF 14A  
November 25, 2005

**SCHEDULE 14A**  
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

**SCHEDULE 14A INFORMATION**  
Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

Filed by the Registrant  [X]  
Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

- [ ] Preliminary Proxy Statement
- [ ] **Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- [X] Definitive Proxy Statement
- [ ] Definitive Additional Materials
- [ ] Soliciting Material Underss.240.14a-12

**Interpool, Inc.**

\_\_\_\_\_  
(Name of Registrant as Specified In Its Charter)  
\_\_\_\_\_

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.
- [ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

\_\_\_\_\_  
\_\_\_\_\_

(2) Aggregate number of securities to which transaction applies:

\_\_\_\_\_  
\_\_\_\_\_

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

\_\_\_\_\_  
\_\_\_\_\_

(4) Proposed maximum aggregate value of transaction:

\_\_\_\_\_  
\_\_\_\_\_

(5) Total fee paid:

\_\_\_\_\_  
\_\_\_\_\_

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

\_\_\_\_\_  
\_\_\_\_\_

(2) Form, Schedule or Registration Statement No.:

\_\_\_\_\_  
\_\_\_\_\_

(3) Filing Party:

\_\_\_\_\_  
\_\_\_\_\_

(4) Date Filed:

\_\_\_\_\_  
\_\_\_\_\_

**INTERPOOL, INC.**  
**211 College Road East**  
**Princeton, New Jersey 08540**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**DECEMBER 15, 2005**

*Princeton, New Jersey*  
*November 21, 2005*

Fellow Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of INTERPOOL, INC. (the "Company") will be held at The Union League Club, 38 East 37th Street, New York, New York 10016 on Thursday, December 15, 2005, at 10:00 a.m., Eastern Time. Please note that the Union League Club requires proper business attire. The meeting will be convened for the following purposes:

- (1) to elect three (3) directors to serve as Class III directors for a term of three (3) years and until their successors shall have been elected and shall have qualified;
- (2) to ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the 2005 fiscal year; and
- (3) to act upon such other matters as may properly come before the meeting or any adjournments thereof.

All holders of common stock of record at the close of business on October 24, 2005 will be entitled to notice and to vote at the Annual Meeting.

Regardless of whether you vote using a traditional proxy card, through the Internet or by telephone, you may change your vote at any time before it is voted at the meeting.

By Order of the Board of Directors

Martin Tuchman  
Chairman and Chief Executive Officer

**INTERPOOL, INC.  
211 College Road East  
Princeton, New Jersey 08540**

### **PROXY STATEMENT**

This Proxy Statement is furnished in connection with the solicitation on behalf of the Board of Directors of Interpool, Inc. (the "Company") of proxies for use at our Annual Meeting of Stockholders (the "Annual Meeting") to be held on December 15, 2005 at 10:00 a.m., Eastern Time, and at any adjournments thereof.

This Proxy Statement, Notice of Meeting and Form of Proxy for 2005 are being mailed on or about November 21, 2005 to each stockholder at such holder's address of record on October 24, 2005.

### **GENERAL**

Only stockholders of record at the close of business on October 24, 2005 are entitled to notice and to vote the shares of our common stock (the "common stock") held by them on that date at the Annual Meeting or any adjournments thereof.

If the accompanying proxy card is voted by casting your vote via regular mail, through the Internet or by telephone in accordance with the instructions on the Proxy Card, and the vote is not revoked, it will be voted in accordance with the instructions contained therein. Unless contrary instructions are given, the persons designated as proxy holders in the proxy card will vote for approval of each of the proposals contained herein, and, with regard to all other matters that may properly come before the meeting, as recommended by the Board of Directors; or, if no such recommendation is given, in their own discretion. Each stockholder may revoke a previously granted proxy at any time before it is exercised by filing a revoking instrument or a duly executed proxy bearing a later date with our

Secretary. The powers of the proxy holders will be suspended if the person executing the proxy attends the Annual Meeting in person and so requests. Attendance at the Annual Meeting will not, in itself, constitute revocation of a previously granted proxy.

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding on October 24, 2005 will constitute a quorum. Each outstanding share entitles its holder to cast one vote on each matter to be voted upon at the Annual Meeting. As of October 24, 2005, there were 29,426,564 shares of common stock outstanding.

The cost of soliciting proxies in the enclosed form will be borne by the Company. It is expected that the solicitation will be primarily by mail. Our officers and regular employees may, but without compensation other than their regular compensation, solicit proxies by further mailing or personal conversations, telephone or facsimile. We will, upon request, reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to the beneficial owners of stock.

**ITEM 1. ELECTION OF DIRECTORS**

*Directors and Executive Officers*

Our current directors and executive officers are as follows:

<b>NAME</b> ----	<b>AGE</b> ---	<b>POSITION</b> -----
Martin Tuchman	64	Chairman of the Board of Directors, Chief Executive Officer, President and Chief Operating Officer
Arthur L. Burns (a)	60	General Counsel, Executive Vice President and Director
Peter D. Halstead (a) (b) (c)	63	Director
Clifton H.W. Maloney (a) (b) (d) (f)	68	Director
Michael S. Mathews (d) (e)	65	Director
Warren L. Serenbetz, Jr. (d) (g)	53	Director
William J. Shea (g)	51	Director
Joseph J. Whalen (a) (b) (d) (f)	73	Director
James F. Walsh	56	Executive Vice President and Chief Financial Officer
Richard W. Gross	60	Executive Vice President and Chief Operating Officer of Interpool Limited
Herbert Mertz	52	Executive Vice President and Chief Operating Officer of Trac Lease
Brian Tracey	56	Senior Vice President (Chief Accounting Officer)
Christopher N. Fermanis	56	Senior Vice President-Law, General Counsel Interpool Limited and Trac Lease
William Geoghan	55	Senior Vice President
Hiromitsu Ogawa	64	Chairman, President and Chief Executive Officer of Container Applications International, Inc.

- 
- (a) member of the Corporate Governance Committee in 2004
  - (b) member of the Audit Committee in 2004 and 2005
  - (c) member of the Compensation Committee in 2004 and 2005
  - (d) member of Corporate Governance Committee in 2005
  - (e) member of the Audit Committee in 2005

- (f) member of the Compensation Committee in 2004
- (g) member of Compensation Committee in 2005

Our Board of Directors is divided into three classes, as equal in number as possible. Each class serves three years, with the terms of office of the respective classes expiring in successive years. Our Board of Directors proposes that the nominees described below be elected Class III directors for a term of three years, and until their successors are duly elected and qualified. The Board of Directors has no reason to believe that the nominees will not serve if elected, but if any or all of them should become unavailable to serve as a director, and if the Board designates a substitute nominee, the persons named as proxies will vote for the substitute nominee designated by the Board.

Directors will be elected by a plurality of the votes cast at the Annual Meeting. If elected, all Class III nominees are expected to serve until the 2008 Annual Meeting and until their successors are duly elected and qualified.

***CLASS III - DIRECTORS STANDING FOR ELECTION***  
***Term Expires at the 2008 Annual Meeting***

**Martin Tuchman** has served as our Chairman of the Board of Directors and Chief Executive Officer of Interpool, Inc. since February 1988 and as President and Chief Operating Officer since October 2003. He is also Chairman of the Board of Directors, Chief Executive Officer and a director of Interpool Limited, which he co-founded in 1968. He also has served as a director of Trac Lease since June 1987 through January 1994 and currently serves as its Chairman and Chief Executive Officer. Mr. Tuchman is Chairman of the Board of Directors of Princeton International Properties, Inc., a family-owned real estate company, which owns and has interests in properties located in Princeton, New Jersey. Mr. Tuchman was previously a member of the Society of Automotive Engineers as well as the American National Standards Institute. Currently, Mr. Tuchman is a member of the United Nations Business Council, comprised of leading international executives organized to promote understanding and cooperation between business and government. He was formerly a member of the Board of Trustees of the New Jersey Institute of Technology and currently, a member of the NJIT Board of Overseers. He is also a member of the Board of Directors of Stevens Institute of Technology's Web Campus. In 1995, Mr. Tuchman was honored as Entrepreneur Of The Year in an awards program sponsored by Ernst & Young LLP and in 1996 was named Alumnus of the Year by the New Jersey Institute of Technology. Mr. Tuchman is a member of the Board of Trustees of The Parkinson's Alliance and serves on the Board of Directors of the Parkinson's Disease Foundation of Columbia Presbyterian Hospital in New York. As Chairman of The Tuchman Foundation, he works closely with all Parkinsons organizations whose scientists select grants seeking National Institute of Health's (NIH) approval. In 2000, Mr. Tuchman was honored by The Smithsonian Institution for his extensive case study of Interpool for the 2000 Computerworld Smithsonian Collection and Interpool was nominated for the World Smithsonian Award. Interpool's material is now part of the Permanent Research Collection on Information Technology at The Smithsonian's National Museum of American History. Mr. Tuchman is a member of the Yardville National Bancorp's Board of Directors and serves on its Executive Committee of the Board of Directors. In addition, Mr. Tuchman is Treasurer and serves on the Board of Trustees and the Finance Committee of TASK, the Trenton Area Soup Kitchen. Mr. Tuchman holds a bachelor's degree in mechanical engineering from the New Jersey Institute of Technology (Newark College of Engineering) and a master's degree in business administration from Seton Hall University.

**Arthur L. Burns** has served as a director since January 1990. He was our General Counsel and Secretary from January 1990 until 1996 and continued to serve as non-employee General Counsel until February 2003. Mr. Burns rejoined the Company as General Counsel and Executive Vice President in October 2003. Mr. Burns was Senior Vice President of Law and Administration of Interpool Limited from 1980 until June 1996. Prior to joining Interpool Limited, Mr. Burns served as Assistant General Counsel to GATX Leasing Corp. between 1975 and 1980, and as an associate attorney at the law firm of Cahill, Gordon & Reindel from 1969 to 1975. Mr. Burns holds a bachelor's degree in economics from Holy Cross College and a law degree from Fordham University School of Law.

**Peter D. Halstead** has served as a member of our Board of Directors since June 1994. Mr. Halstead is a retired Executive Vice President of Summit Bancorp where he worked in various capacities since 1971. He is now the Principal of P.D. Halstead Associates LLC, a firm consulting in corporate administration and finance. Mr. Halstead is a Director of Metlife Bank N.A., a wholly owned subsidiary of Metlife, and is a Senior Vice President/Managing Director of Commerce Bank, N.A. Mr. Halstead has served as a Trustee for numerous associations including McCarter Theatre and as Treasurer of the National Kidney Foundation of the Delaware Valley. Mr. Halstead holds a bachelor's degree from Colgate University and an MBA degree from Fairleigh Dickinson University.

## **DIRECTORS CONTINUING IN OFFICE**

### ***CLASS I - DIRECTORS***

***Term Expires at the 2006 Annual Meeting***

**Warren L. Serenbetz, Jr.** has served as a member of our Board of Directors since December 2004. He is currently President and Chief Executive Officer of Radcliff Group, Inc., an investment management company. From 1992 through 2003, Mr. Serenbetz was Vice-President of Marketing at Pechiney Plastic Packaging, Inc., a multinational consumer packaging business with facilities in North America, Europe, Latin America and Asia. From 1986 to 1992, he was Managing Director Marketing, of American Can Company. Mr. Serenbetz holds a bachelor of science degree in engineering from Lehigh University and an MBA Finance from the Wharton School at the University of Pennsylvania.

**Joseph J. Whalen** has served as a member of our Board of Directors since April 1996. He originally joined the accounting firm of Arthur Andersen LLP in 1957 and served as an audit partner in Andersen's New York and New Jersey offices for more than ten years prior to his retirement in 1994. Mr. Whalen is a member of the American Institute of Certified Public Accountants and the New Jersey State Society of Certified Public Accountants. Mr. Whalen also serves on the Board of Directors of Griffon Corporation. Mr. Whalen is a Certified Public Accountant in New Jersey and holds a bachelor's degree from St. Peter's College. The Board of Directors has determined that Mr. Whalen, a member of our Audit Committee, qualifies as an "audit committee financial expert," as such term is defined in the rules of the Securities and Exchange Commission.

### ***CLASS II - DIRECTORS***

***Term Expires at the 2007 Annual Meeting***

**Clifton H. W. Maloney** has served as a member of our Board of Directors since February 2000. He has been President of C.H.W. Maloney & Co., Incorporated, a private investment firm, since 1981. He was a Vice President in investment banking at Goldman, Sachs & Co. from 1974 to 1981. Mr. Maloney is a Director of Chromium Industries, Inc., Vicon Industries, Inc. and The Wall Street Fund. Mr. Maloney holds a bachelor's degree in Engineering from Princeton University and an MBA degree from Harvard Business School.

**Michael S. Mathews** has served as a member of our Board of Directors since November 2004. He is currently the managing director of Westgate Capital Co., a firm he founded in 1993. Mr. Mathews served on the Board of Petroleum Geo-Services from 1993 until September 2002. From 1998 to 2002, he served as Vice Chairman of Petroleum Geo-Services and held the position as Chairman of the Compensation Committee and was a member of the Audit Committee. He is currently a director of Particle Drilling Technologies, Inc. and of Applix. From 1989 to 1992, Mr. Mathews served as managing director of Bradford Ventures Ltd., a private investment firm involved in equity investments, including acquisitions. Mr. Mathews received an A.B. from Princeton University and received a J.D. from the University of Michigan Law School.

**William J. Shea, Jr.** has served as a member of our Board of Directors since November 2004. He is president and co-founder of Kelley Transportation Services, Inc, a transportation equipment manufacturing and leasing business headquartered in San Francisco. From 1987-2004, he served as president of Bay Cities Leasing LLC, an operating

leasing company specializing in domestic containers, chassis and intermodal trailers. In 1994, Mr. Shea was named program manager of the EMP Program - a national pool of 30,000 domestic containers and chassis operating on Union Pacific, Norfolk Southern, CP Rail, CN and other Class 1 rail systems. To facilitate EMP Program expansion, Bay Cities Leasing formed a joint venture with Union Pacific, called Bay Pacific Financial, to provide \$400 million of capital to the program. Mr. Shea served as co-chairman of Bay Pacific Financial from 1994-2004, when he and his partner completed the sale of Bay Cities Leasing to Transport International Pool, a unit of GE Capital Services. He received a B.S. in Economics from the Wharton School of the University of Pennsylvania.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION OF EACH OF THE CLASS III NOMINEES.**

#### **NON-DIRECTOR EXECUTIVE OFFICERS**

**James F. Walsh** was appointed to serve as our Executive Vice President, Finance in December 2003 and Executive Vice President and Chief Financial Officer in February 2004. In 1998 Mr. Walsh joined C-S Aviation Services, an aircraft operating lease company, as Senior Vice President and Chief Financial Officer and also served as President from 2000 to 2003. From 1987 to 1993 Mr. Walsh served as Senior Vice President and Chief Financial Officer of Polaris Aircraft Leasing Corporation, a GE Capital company, and, following the incorporation of Polaris into GE Capital Aviation Services (GECAS) in 1993, Mr. Walsh was named Senior Vice President and Chief Financial Officer of GECAS. Prior to joining Polaris, Mr. Walsh held various financial positions during sixteen years with GE Capital and General Electric Company. Mr. Walsh holds a Bachelor of Arts degree in economics from Rutgers College and an MBA degree from the University of Bridgeport.

**Richard W. Gross** served as Acting Chief Financial Officer from July 2003 to February 2004 and was appointed Executive Vice President in December 2003. Mr. Gross currently serves as Executive Vice President of the Company and Director and Chief Operating Officer of Interpool Limited. Mr. Gross rejoined us in 2002 as Senior Vice President of Finance after serving as Vice President of Finance and Chief Financial Officer of Balboa Capital Corporation from 1998 to 2001. Previously Mr. Gross had been with us for more than twenty years in various senior financial positions, having responsibility for investor and lender relations. Prior to first joining Interpool in 1972, Mr. Gross spent five years with Arthur Andersen and Co. in their New York office. Mr. Gross is a certified public accountant and received a Bachelor of Science degree in Accounting from Long Island University.

**Herbert Mertz** served as our Director of Information Systems from December 1988 to September 2000. In September 2000, he was appointed Executive Vice President and Chief Operating Officer of Trac Lease. Prior to joining us, Mr. Mertz was an independent consultant in the computer industry. From 1980 to 1983, Mr. Mertz was President of Princeton Energy Partners, an international franchise company in the field of energy conservation. Mr. Mertz holds a bachelor's degree in engineering from Princeton University. He is an associate member of Sigma Xi, the North American Research Society.

**Brian Tracey** has served as Senior Vice President of Interpool, Inc. since October 2000 and was appointed Chief Accounting Officer during 2003. Mr. Tracey joined Interpool when Interpool acquired the assets of the North America Intermodal Division of Transamerica Leasing, Inc. (Transamerica). Prior to joining Interpool, Mr. Tracey was Senior Vice President of Finance and Business Development at Transamerica where he had held numerous financial positions after joining Transamerica in 1982. From 1970 to 1982, Mr. Tracey worked in the audit practice of Arthur Andersen & Co. Mr. Tracey is a Certified Public Accountant and holds an undergraduate degree in accounting from Pace College.

**Christopher N. Fermanis** has been with the Company since 1981. He holds the positions of Senior Vice President Law of Interpool, Inc. and General Counsel of Interpool Limited and Trac Lease, Inc. Mr. Fermanis served as General Counsel of the Company between February and October 2003. Prior to joining Interpool, Mr. Fermanis was an associate attorney for six years with the New York law firm of Haight, Gardner, Poor & Havens (now Holland

& Knight). He holds a bachelor's degree from Princeton University and a law degree from the University of Michigan Law School.

**William Geoghan** has served as Senior Vice President of each of Interpool, Interpool Limited and Trac Lease since 1998. Previously, Mr. Geoghan served as Controller of Interpool from 1992 to 1998 and Vice President and Controller of Interpool Limited from 1989 to 1998. Mr. Geoghan joined Interpool Limited in 1981 and served as Assistant Controller for Interpool Limited from 1985 to 1989. Mr. Geoghan is a Certified Public Accountant and holds a bachelor's degree in commerce from Rider University.

**Hiromitsu Ogawa** is 50% owner and founder of our consolidated subsidiary Container Applications International, Inc. ("CAI"). Mr. Ogawa is the Chairman and Chief Executive Officer of CAI. Prior to starting CAI in 1989, he was with ITEL Containers for 12 years as Vice President of Marketing for Japan/Korea. Earlier in his career, he also held the position of Executive Managing Director of Heublein Japan Co. Ltd. He was also Sales Promotion Manager with Coca-Cola Japan Co. Ltd. Mr. Ogawa graduated from Kyoto University of Foreign Studies with a B.A. in Economics and English followed by two years of post-graduate work at the University of Washington Business School.

### COMMITTEES OF THE BOARD

During 2004, the Board had standing Audit, Compensation and Corporate Governance Committees. Special Committees may be appointed from time to time by the Board.

#### *Compensation Committee.*

The 2004 Compensation Committee was composed of Peter D. Halstead, Clifton H. W. Maloney and Joseph J. Whalen (Chairman). The Committee's functions are to review the Company's general compensation strategy, establish salaries, review benefit programs and approve certain employment contracts and administer the Company's 2004 Stock Option Plan For Key Employees and Directors and the 1993 stock option plans. The Compensation Committee met once in fiscal 2004.

#### *Audit Committee.*

The 2004 Audit Committee was comprised entirely of independent directors, Peter D. Halstead, Joseph J. Whalen and Clifton H.W. Maloney (Chairman). The Audit Committee's functions are to review management's maintenance of systems of internal control (including compliance with Section 404 of the Sarbanes-Oxley Act of 2002), financial reporting and application of U.S. generally accepted accounting principles. In addition, the Audit Committee reviews the scope of the services of our independent registered public accounting firm and may recommend the independent registered public accounting firm for appointment by the Board of Directors. The Audit Committee met eleven times in 2004. Our audit committee consists of three independent directors acting under a formal audit committee charter which can be viewed at our website at [www.interpool.com](http://www.interpool.com).

#### *Corporate Governance Committee.*

In December 2003, our Board of Directors created a Corporate Governance Committee. The Corporate Governance Committee is responsible for the selection, qualification and compensation of Board members and candidates. This committee also acts as a nominating committee for Board membership and oversees corporate governance matters. The members of the Corporate Governance Committee for 2004 were Messrs. Clifton H.W. Maloney (Chairman), Peter Halstead, Joseph J. Whalen and Arthur L. Burns, of whom Messrs. Maloney, Halstead and Whalen are independent directors. The Corporate Governance Committee met three times in 2004. The Corporate Governance Committee operates pursuant to a charter which can be viewed at our website at [www.interpool.com](http://www.interpool.com).



The Corporate Governance Committee considers nominee recommendations from a variety of sources, including nominees recommended by stockholders. The Board has no stated specific, minimum qualifications that must be met by a candidate for a position on our Board. It does, however, believe it appropriate for at least one member of the Board to meet the criteria for an "audit committee financial expert" as defined by Securities and Exchange Commission rules, and that a majority of the members of the Board meet the definition of "independent director" within the meaning of applicable stock exchange listing standards. Each candidate should be prepared to participate fully in Board activities, including attendance at, and active participation in, meetings of the Board, and not have other personal or professional commitments that would, in the Board's judgment, interfere with or limit such candidate's ability to do so. Each candidate should also be prepared to represent the best interests of all of Interpool's stockholders and not just one particular constituency. Additionally, in determining whether to recommend a director for re-election, the Board also considers the director's past attendance at Board and Committee meetings and participation in and contributions to the activities of the Board.

**Code of Ethics.** On December 30, 2003 we adopted a Code of Ethics that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. The purpose of the code is to promote the highest standards of integrity among Interpool officers and employees in their dealings with and on behalf of Interpool, including dealings with our stockholders, investors and with others from whom we obtain financing. The Code of Ethics is available for viewing at our website at [www.interpool.com](http://www.interpool.com).

**Compliance and Ethics Hotline.** We have established procedures to receive, retain and address employee complaints received by the Company. These procedures include a confidential hotline to answer employees' ethics questions and to report employees' ethical concerns and incidents including, without limitation, concerns about accounting, internal controls or auditing matters. This hotline is available 24 hours a day, seven days a week, and callers may choose to remain anonymous.

Our Board of Directors may establish other committees from time to time to facilitate the management of our business and affairs.

## **Board Independence**

The Board of Directors of the Company has determined that a majority of the members of the Company's Board of Directors as a whole, and each member of the Audit Committee, the Compensation Committee and the Corporate Governance Committee for 2005, has no material relationship with the Company and therefore are "independent" within the meaning of the New York Stock Exchange's director independence standards. Messrs. Halstead, Maloney, Mathews, Serenbetz, Shea and Whalen are considered to be independent directors. Messrs. Tuchman and Burns, who are executive officers of the Company, are not considered to be independent.

## **Executive Sessions**

The non-management directors of the Company meet in executive session of the Board without management at many regular board meetings and at each regular meeting of the Audit Committee, Compensation Committee and Corporate Governance Committee, and as otherwise scheduled from time to time. In view of the relatively small size of the Board of Directors, the Board has not appointed a lead director to preside at executive sessions of the Board. However, the Chairmen of each of the Audit Committee, the Compensation Committee, and the Corporate Governance Committees preside at the executive sessions of their respective committees. Interested parties who would like to communicate with the non-management directors or any individual non-management director may do so by sending a letter to any of these directors in care of the General Counsel of the Company at the corporate headquarters at 211 College Road East, Princeton, New Jersey 08540.

## **Communications with the Board**

Edgar Filing: INTERPOOL INC - Form DEF 14A

Individuals may communicate with the Board in writing by submitting a letter addressed to the "Board of Directors" or to any of the directors by name in care of the General Counsel of the Company at the corporate headquarters at the corporate headquarters at 211 College Road East, Princeton, New Jersey 08540. The communication should indicate the name(s) of any specific director(s) for whom it is intended, or the "Board of Directors" as a whole.

**EXECUTIVE COMPENSATION**

The following table sets forth information for the calendar years ended December 31, 2004, 2003 and 2002 concerning the annual compensation earned by our chief executive officer and our four other most highly compensated executive officers:

SUMMARY COMPENSATION TABLE							
Name and Principal Position	Year	Annual Compensation			Long-Term Compensation		
		Salary (\$)	Bonus (\$)	Other Annual Compensation (1) (\$)	Long-Term Compensation # of Stock Options	Awards	
						Restricted Stock Award(s) (\$)	Underlying Securities Options/SARS (#) (2)
Martin Tuchman Chairman of the Board of Directors, Chief Executive Officer, President and Chief Operating Officer	2004	942,826	2,617,492	155,239 (3)	0	0	0
	2003	897,929	751,041	17,297	0	0	0
	2002	855,170	843,381 (4)	31,005	0	0	0
Arthur L. Burns Executive Vice President and General Counsel	2004	375,000	225,000	93,006 (5)	0	0	150,000
	2003	88,459 (6)	50,000	51,327	0	0	0
	2002	0	0	0	0	0	0
James F. Walsh Executive Vice President and Chief Financial Officer	2004	275,000	265,551 (7)	81,341 (8)	0	0	25,000
	2003	33,712 (9)	25,000	--- (10)	0	0	0
	2002	0	0	0	0	0	0
Richard W. Gross Executive Vice President and Chief Operating Officer, Interpool Limited	2004	300,000	260,551 (7)	--- (10)	0	0	100,000
	2003	163,756	136,244	0	0	0	0
	2002	30,541	100,000	41,300 (11)	0	0	0
Hiromitsu Ogawa Chief Executive Officer, Container Applications International, Inc.	2004	474,625	486,200	--- (10)	0	0	0
	2003	492,525	200,000	--- (10)	0	0	0
	2002	400,000	0	--- (10)	0	0	0

(1) Amounts listed include payments made to or on behalf of the Executive as provided for in the Executive's employment agreement.

(2) Stock Appreciation Rights pursuant to which the recipient shall receive a cash amount equal to the amount of any appreciation in the Company's common stock value above the grant price of \$14.05 per share. See Employment Agreements.

- (3) Mr. Tuchman received payment in the amount of \$108,778 for vacation that had accrued but had not been taken.
- (4) Mr. Tuchman earned a bonus in the amount of \$843,381 based on criteria fixed by the Compensation Committee. Mr. Tuchman voluntarily returned the entire earned 2002 bonus.
- (5) Mr. Burns received \$44,130 for living expenses and \$29,420 was paid on his behalf by the Company for taxes associated with such living expenses. See Employment Agreements.
- (6) Mr. Burns rejoined the Company in October 2003. Amount shown includes payments made for the period including 10/08/03 through 12/31/03. See Employment Agreements.
- (7) Amount includes a stock bonus of 25 shares of the Company which had a fair market value on the day it was awarded of \$551.
- (8) Mr. Walsh received \$32,731 for living expenses and \$23,806 was paid on his behalf by the Company for taxes associated with such living expenses. See Employment Agreements.
- (9) Mr. Walsh joined the Company in November 2003. Amount shown includes payments made for the period including 11/17/03 through 12/31/04. See Employment Agreements.
- (10) Amount is less than the lesser of \$50,000 or 10% of total annual salary and bonus.
- (11) Amount includes consulting fees paid prior to employment. See Employment Agreements.

### **Board Compensation and Attendance**

Each member of the Board of Directors who is not an officer or executive consultant receives an annual service fee of \$25,000 for serving on the Board plus \$2,000 and reimbursement of expenses for each Board of Directors' meeting attended and \$1,000 for each committee meeting attended. The chairman of each committee also receives an additional \$500 for each attended committee meeting. Additional compensation may be paid for participation in other meetings.

The Board of Directors met ten times during fiscal year 2004. All other actions were approved by unanimous written consent in lieu of formal meeting. Each current director attended at least 75% of all meetings of the Board of Directors and committees to which he was assigned that were held during 2004.

In February 2005, the Board of Directors approved the payment of special cash bonuses in the amount of \$100,000 to each of directors Halstead, Maloney and Whalen for their extraordinary services in assisting the Company during the period the Company was restating its financial statements and while it was responding to related inquiries. The recipient directors abstained from this vote.

### **Stock Option Activity During Fiscal Year 2004 and 2005**

In December 2004, options to purchase 15,000 shares were granted to Peter D. Halstead, Clifton H. W. Maloney, Michael S. Mathews, Warren L. Serenbetz, Jr., William J. Shea Jr. and Joseph J. Whalen pursuant to the 2004 Nonqualified Stock Option Plan for Non-Employee, Non-Officer Directors (the "2004 Directors Plan"). No other options were granted during 2004 under the 2004 Directors Plan.

In May 2005 an option to purchase 25,000 shares was granted to the company's Executive Vice-President and Chief Financial Officer, James F. Walsh, and in July 2005, an option to purchase 50,000 shares was granted to Executive Vice President and Chief Operating Officer of Trac Lease, Inc., Herbert Mertz, under the Company's 2004 Stock Option Plan for Key Employees and Directors (the "2004 Stock Option Plan"). No options were granted during 2004 under the 2004 Stock Option Plan.

None of our executive officers exercised any stock options during 2004.

### **2004 Stock Option Plan For Key Employees and Directors**

Our 2004 Stock Option Plan was adopted by our Board of Directors on November 3, 2004 and approved by our stockholders at our 2004 Annual Meeting. A total of 1.5 million shares of common stock have been reserved for issuance under the 2004 Stock Option Plan. Options may be granted under the 2004 Stock Option Plan, in the discretion of the Compensation Committee of the Board of Directors, to key employees and directors (whether or not they are employees) of Interpool, Inc. and its subsidiaries. The number of shares that may be the subject of options granted during any calendar year to any one individual cannot exceed 250,000 shares.

The 2004 Stock Option Plan is administered by the Compensation Committee, which consists solely of independent directors. The Compensation Committee has the authority, within limitations as set forth in the 2004 Stock Option Plan, to establish rules and regulations concerning the 2004 Stock Option Plan, and to determine the persons to whom options may be granted, the number of shares of common stock to be covered by each option and the terms and provisions of the option to be granted. The Compensation Committee has the right to cancel any outstanding options and to issue new options on the terms and upon the conditions as may be consented to by the optionee affected. In addition, the Compensation Committee has the authority, subject to the terms of the 2004 Stock Option Plan, to determine the appropriate adjustments in the terms of each outstanding option in the event of a change in the common stock or our capital structure.

Options are exercisable by the holder subject to terms fixed by the Compensation Committee. An option will be exercisable immediately upon the occurrence of any of the following (but in no event during the six month period following the grant or subsequent to the expiration of the term of an option):

- (1) the holder's retirement on or after attainment of age 65;
- (2) the holder's disability or death; or
- (3) special circumstances or events as the Compensation Committee determines merit special consideration.

Under the 2004 Stock Option Plan, a holder may pay the exercise price in cash, by check, by delivery to us of shares of common stock already owned by the holder for at least six months, by a cashless method in accordance with procedures that may be established by the Compensation Committee or by such other method as the Compensation Committee may permit from time to time.

Options granted under the 2004 Stock Option Plan are not transferable except by will or the laws of descent and distribution. However, the Compensation Committee may, in its discretion, authorize a transfer of any option (other than an incentive stock option), by the initial holder to (i) the family members of the initial holder, (ii) a trust or trusts for the exclusive benefit of such family members, (iii) a corporation or partnership in which such family members and/or the initial holder are the only shareholders or partners, or (iv) such other persons or entities which the Compensation Committee may permit; provided, however, that subsequent transfers of such option shall be prohibited except by will or the laws of descent and distribution. If an option holder terminates employment with us and all subsidiaries or ceases to serve as a director of Interpool or a subsidiary while holding an unexercised option, the

option will terminate immediately, but the option holder will have until the end of the tenth business day following his termination of employment or service to exercise the option.

All options held by an option holder will terminate immediately if the termination is for cause, including but not limited to violation of the holder's duties. If cessation of employment or service is due to retirement on or after attainment of age 65, disability or death, the option holder or the holder's successor-in-interest, as the case may be, is permitted to exercise any option within three months of retirement or within six months of disability or twelve months of death. Shares subject to options granted under the 2004 Stock Option Plan which expire, terminate or are canceled without having been exercised in full become available again for option grants.

The 2004 Stock Option Plan may be terminated and may be modified or amended by the Compensation Committee or the Board of Directors at any time; provided, however, that (1) no modification or amendment increasing the aggregate number of shares which may be issued under the 2004 Stock Option Plan or under options granted to any individual during any calendar year, or changing the class of persons who are eligible to receive options, will be effective without stockholder approval within one year of the adoption of the amendment and (2) no such termination, modification or amendment of the 2004 Stock Option Plan will alter or affect the terms of any then outstanding options without the consent of the holders thereof (except as described below). The Compensation Committee may cancel or terminate an outstanding option with the consent of the holder and grant an option for the same number of shares to the individual based on the then fair market value of the common stock, which may be higher or lower than the exercise price of the canceled option. In addition, the Compensation Committee or the Board of Directors may amend the 2004 Stock Option Plan and the terms of outstanding options, without the consent of the holders thereof, in connection with any tax law changes which are not consistent with the purpose and intended tax treatment of the 2004 Stock Option Plan and the options as previously in effect.

Previously, we maintained a 1993 Stock Option Plan for Executive Officers and Directors, which is discussed below.

### **1993 Stock Option Plan For Executive Officers and Directors of Interpool, Inc.**

No options may be granted under the 1993 Stock Option Plan more than 10 years after the adoption of the Stock Option Plan, which period expired in March 2003. Our 1993 Stock Option Plan for Executive Officers and Directors of Interpool, Inc. was adopted by our Board of Directors and approved by the stockholders in March 1993. A total of 6 million shares of common stock were reserved for issuance under the 1993 Stock Option Plan. Options could have been granted under the 1993 Stock Option Plan to executive officers and Directors of Interpool or a subsidiary (including any executive consultant of Interpool and its subsidiaries), whether or not they were employees. As of October 15, 2005, 2,873,063 options were issued and outstanding, of which 2,658,063 are exercisable. Options under the 1993 Stock Option Plan were granted to 18 persons.

Effective January 1, 2004 the Compensation Committee began to administer the 1993 Stock Option Plan. During 2003, the 1993 Stock Option Plan was administered by a committee of the Board of Directors consisting of Martin Tuchman and Peter Halstead.

The 1993 Stock Option Plan does not require that the members of the Compensation Committee be "disinterested persons" within the meaning of Rule 16b-3, as from time to time amended, under the Securities Exchange Act of 1934. The Compensation Committee has the authority, within limitations as set forth in the 1993 Stock Option Plan, to establish rules and regulations concerning the 1993 Stock Option Plan. In addition, the Compensation Committee has the authority, subject to the terms of the 1993 Stock Option Plan, to determine the appropriate adjustments in the terms of each outstanding option in the event of a change in the common stock or our capital structure.

Options are exercisable by the holder subject to terms fixed by the Compensation Committee. However, an option will be exercisable immediately upon the occurrence of any of the following (but in no event during the six-month period following the date of grant or subsequent to the expiration of the term of an option):

- (1) the holder's retirement on or after attainment of age 65;
- (2) the holder's disability or death; or
- (3) special circumstances or events as the Compensation Committee determines merit special consideration.

Under the 1993 Stock Option Plan, a holder may pay the exercise price in cash, by check, by delivery to us of shares of common stock already owned by the holder, or, with respect to non-qualified stock options and subject to approval by the Compensation Committee, in shares issuable in connection with the option, or by such other method as the Compensation Committee may permit from time to time.

Options granted under the 1993 Stock Option Plan are non-transferable and non-assignable; provided, however, that the estate of a deceased holder may exercise any options held by the decedent. If an option holder terminates employment with us and all subsidiaries or ceases to serve as a director of Interpool or a subsidiary while holding an unexercised option, the option will terminate immediately, except that the option holder has until the end of the tenth business day following his termination of employment or service to exercise the option. However, all options held by an option holder will terminate immediately if the termination is for cause, including but not limited to a result of a violation of the holder's duties. If cessation of employment or service is due to retirement on or after attainment of age 65, disability or death, the option holder or the holder's successor-in-interest, as the case may be, is permitted to exercise any option within three months of retirement or disability or within six months of death.

#### **2004 Nonqualified Stock Option Plan for Non-Employee, Non-Officer Directors**

Our 2004 Nonqualified Stock Option Plan for Non-Employee, Non-Officer Directors (the "2004 Directors Plan") was adopted by our Board of Directors on November 3, 2004 and approved by our stockholders at our 2004 Annual Meeting. A total of 250,000 shares of common stock have been reserved for issuance under the 2004 Directors Plan. The exercise price per share is the fair market value of our common stock on the grant date. The options granted pursuant to the 2004 Directors Plan may be exercised at the rate of one-third of the shares on the first anniversary of the options' grant date, one-third of the shares on the second anniversary of the options' grant date and one-third of the shares on the third anniversary of the options' grant date, subject to applicable holding periods required under rules of the Securities and Exchange Commission. Options granted pursuant to the 2004 Directors Plan expire ten years from their grant date. In the event of disability or death of a director, the option must be exercised prior to the expiration of the term of the option and within six months of the option holder's disability or within twelve months of the option holder's death. In the event of resignation of a director, the option must be exercised within ten days of the date of resignation.

The 2004 Directors Plan provides for the automatic grant of nonqualified options to non-employee non-officer directors. Under the 2004 Directors Plan, each person who is not an employee or officer and served as a member of our Board of Directors following the annual meeting held during 2004 received a grant of options for 15,000 shares of common stock on the business day following our annual meeting held in 2004. In addition, each person who becomes a non-employee non-officer director following the annual meeting held during 2004 will automatically receive a grant of options for 15,000 shares on the first business day after becoming a director. The 2004 Directors Plan also provides for additional automatic grants of options for 5,000 shares on an annual basis to each continuing director, other than an employee or officer, on the first business day following each future annual meeting, beginning with the annual meeting to be held during 2005.

Under the 2004 Directors Plan, a holder may pay the exercise price in cash, by check, by delivery to us of shares of common stock already owned by the holder for at least six months, by a cashless method through a registered broker-dealer or by such other method as the Board of Directors may permit from time to time.

The 2004 Directors Plan is administered by the Board of Directors. Options granted under the 2004 Directors Plan are not transferable except by will or the laws of descent and distribution. However, the Board of Directors may, in its discretion, authorize a transfer of any option, by the initial holder to (i) the family members of the initial holder, (ii) a trust or trusts for the exclusive benefit of such family members, (iii) a company or partnership in which such family members and/or the initial holder are the only shareholders or partners, or (iv) such other persons or entities which the Board of Directors may permit; provided, however, that subsequent transfers of such Option shall be prohibited except by will or the laws of descent and distribution.

The 2004 Directors Plan may be terminated and may be modified or amended by the Board of Directors at any time; provided, however, that any amendment by the Board of Directors which would require stockholder approval (pursuant to the rules of any exchange on which the shares are traded) shall be subject to such stockholder approval. The Board of Directors may amend the 2004 Directors Plan and the terms of outstanding options, without the consent of the holders thereof, in connection with any tax law changes which are not consistent with the purpose and intended tax treatment of the 2004 Directors Plan and options previously in effect.

Previously, we maintained the 1993 Non-Qualified Stock Option Plan for Non-Employee, Non-Consultant Directors, which is discussed below.

### **1993 Non-Qualified Stock Option Plan for Non-Employee, Non-Consultant Directors**

Our Non-Qualified Stock Option Plan for Non-Employee, Non-Consultant Directors, (the "1993 Directors Plan") was adopted by our Board of Directors and approved by the stockholders in March 1993. The 1993 Directors Plan provided for the automatic grant of 15,000 non-qualified options to non-employee, non-consultant directors at the time the director first joined the Board. The 1993 Directors Plan authorized grants of options up to an aggregate of 150,000 shares of common stock. The exercise price per share was the fair market value of our common stock on the grant date. The options granted pursuant to the 1993 Directors Plan may be exercised at the rate of one-third of the shares on the first anniversary of the options' grant date, one-third of the shares on the second anniversary of the options' grant date and one-third of the shares on the third anniversary of the options' grant date, subject to applicable holding periods required under rules of the Securities and Exchange Commission. Options granted pursuant to the 1993 Directors Plan expire ten years from their grant date, except that in the event of the death of a director, the option must be exercised within six months of the date of death or, in the event of resignation of a director, the option must be exercised within ten days of the date of resignation.

Under the 1993 Directors Plan, a holder may pay the exercise price in cash, by check, by delivery to us of shares of common stock already owned by the holder, or, subject to approval by the Compensation Committee, in shares issuable in connection with the option, or by such other method as the Compensation Committee may permit from time to time.

Effective January 1, 2004, the 1993 Directors Plan formerly administered by the Stock Option Committee, began to be administered by the Compensation Committee.

Pursuant to the 1993 Directors Plan, an option to purchase 15,000 shares of common stock was granted to each of Peter D. Halstead in June 1994, Joseph J. Whalen in April 1996 and Clifton H.W. Maloney in February 2000. On September 16, 1998, pursuant to an option repricing program, 15,000 options held by each of Messrs. Halstead and Whalen were cancelled and replaced with newly issued options with an exercise price equal to the closing market price on September 16, 1998, the grant date, which vested six months from the grant date and expire ten years from the grant date. All other terms and conditions of the newly issued options are the same as those of the cancelled

options.

#### **401(k) Plan**

We have adopted a deferred savings plan which is intended to qualify under Section 401(k) of the Code. All our employees who are based in the United States are eligible to participate in the 401(k) Plan. Each participant may elect to contribute up to 6% of such participant's compensation on a pre-tax basis for which the Company makes matching contributions equal to 75% of the participant's contribution. In addition, participants can elect to make additional unmatched contributions to the 401(k) Plan up to an additional 9% of the participant's compensation. Such salary deferral contributions are 100% vested at all times. Amounts credited to a participant's account are distributed to the participant at the earliest of (1) the termination of his or her employment with us, (2) a requested withdrawal after age 59 1/2 or upon evidence of disability or (3) a requested withdrawal due to financial hardship. The 401(k) Plan administrator may authorize loans from the 401(k) Plan to participants in a manner which is uniform and nondiscriminatory. Under the Code, salary deferral contributions are not taxable to the employee until the amounts are distributed to the employee, and all matching contributions are tax deductible to us. The 401(k) Plan provides for the making by us of any matching or profit sharing contributions to the 401(k) Plan, in the form of shares of common stock of Interpool.

#### **Compensation Committee Interlocks and Insider Participation**

During fiscal year 2004, Mr. Tuchman participated in deliberations of the Compensation Committee and the Company's Board of Directors concerning executive officer compensation. However, Mr. Tuchman did not participate in discussions regarding his compensation as Chief Executive Officer.

#### **Employment Agreements With Named Executive Officers**

We have an employment agreement with Martin Tuchman which currently expires on December 31, 2011, except that on each January 1, the expiration date is automatically extended for an additional year unless we or Mr. Tuchman give written notice of an election not to extend beyond the end of the then current seven-year term. Notice of any election not to extend the expiration date must be delivered not less than six months prior to the next occurring January 1.

As compensation for the services to be rendered under his employment agreement, Mr. Tuchman will be paid an annual base salary of \$989,966 in 2005. The base salary under the employment agreement increases by a minimum of 5% each year. In addition, Mr. Tuchman is entitled to receive an annual bonus equal to 2% of the amount of any increase in our net income during the year from its net income during the preceding year.

As described below, Mr. Tuchman is entitled, under the terms of his employment agreement and under the bonus plan approved by our Compensation Committee in 2000, to receive a performance bonus each year based upon several factors, including the amount of any increase in our net income over the previous year's net income and, if applicable, for any increase over the highest net income previously reported by the Company. Because our 2004 net income was lower than our net income in 2003, Mr. Tuchman did not earn a bonus for 2004 based upon these measures. The Compensation Committee noted, however, that our 2004 net income was adversely affected by a non-cash expense in the amount of \$49,222,339 resulting from an increase during the fourth quarter of 2004 in the fair value of our common stock purchase warrants issued in September 2004, and that without this expense our 2004 net income would have been \$57,650,843, representing the highest net income ever reported by the Company. It also noted that, when all accounting conditions are met by the Company, the valuation of these warrants will be reclassified to equity without affecting net income, the measurement used to compensate Mr. Tuchman under the plans discussed above. Although this expense was required by generally accepted accounting principles, the members of the Compensation Committee concluded that Mr. Tuchman should receive a discretionary bonus reflecting Interpool's profitable operations and other accomplishments during 2004, notwithstanding the adverse effect on net



income of the non-cash expense relating to the warrants. Accordingly, the Compensation Committee agreed to pay Mr. Tuchman a discretionary bonus for 2004 in the amount of \$1,861,025, which represented the amount of the additional bonuses to which Mr. Tuchman would have been entitled under the terms of his employment agreement and under his bonus plan if our 2004 net income had not been adversely affected by the warrant expense. This discretionary bonus, together with a bonus in the amount of \$406,467 which Mr. Tuchman earned for 2004 under the terms of the bonus plan based upon increases in the market price of Interpool's common stock during 2004, was paid to Mr. Tuchman in cash during the first quarter of 2005. The Compensation Committee and Mr. Tuchman have also agreed that Mr. Tuchman's eligibility in 2005 and thereafter for bonuses based on any future increases in our net income will be measured against adjusted net income for 2004 of \$57,650,843. In addition, because no bonus had been paid to Mr. Tuchman for 2003, during 2004 the Compensation Committee awarded Mr. Tuchman an additional discretionary bonus of \$350,000 in recognition of Mr. Tuchman's efforts on the Company's behalf during 2003 and 2004.

Mr. Tuchman's employment agreement (1) includes a non-competition provision; (2) provides that, in the event of the employee's death, the employee's base salary will continue to be paid to his beneficiary for two additional years and, in the event of termination of the employee without cause, the employee will continue to receive his base salary for the entire remaining term then in effect under the employment agreement; and (3) provides for reimbursement to the employee, for both the employee and his spouse, of all health related costs and expenses that are not advanced or reimbursed to the employee pursuant to our medical and dental insurance plans, which additional reimbursement continues for a period of five years after expiration of the employment agreement. Mr. Tuchman may also be entitled to receive incentive bonuses as determined by our Compensation Committee.

In addition to the compensation (including bonuses) provided for under his employment agreement, as more fully described above, Mr. Tuchman also receives bonuses under a bonus plan the Compensation Committee of our Board of Directors adopted effective January 1, 2000, with three measures of incentive bonus performance: (1) increase in stock price; (2) increase in net income over the highest previous year; and (3) maintaining an investment grade debt rating. Based upon the plan as adopted, Mr. Tuchman received additional bonuses for 2004, 2003 and 2002 in amounts of \$406,467, \$751,041 and \$843,381, respectively. As discussed in our 2002 Form 10-K, Mr. Tuchman elected to voluntarily relinquish his entire 2002 bonus.

*Increase in Net Income:* To the extent that our net income exceeds that of the highest previous year, a bonus equal to 10% of the increase is to be paid to our Chief Executive Officer. No bonus was paid to Mr. Tuchman in respect to this performance measure for 2004, 2003 or 2002.

*Investment Grade Rating:* Our Chief Executive Officer is entitled to a bonus of \$100,000 for each year in which we maintain an investment grade debt rating by either Moody's or Standard and Poor's at year-end. No bonus under this performance measure was awarded in 2004 or 2003. Under this measure, Mr. Tuchman received a bonus of \$100,000 for 2002; however, this amount constituted a portion of the entire 2002 bonus which was voluntarily relinquished by Mr. Tuchman.

*Increased Stock Price:* To the extent our average stock price for a year exceeds the highest average stock price for any prior year, our Chief Executive Officer will receive a bonus in the amount of 1.5% of the increase in the average aggregate market value of our common stock. Because our 2004 average stock price exceeded the previous "high water mark," a bonus in the amount of \$406,467 was awarded to Mr. Tuchman for 2004 under this performance measure. No bonus under this performance measure was awarded in 2003. Because our 2002 average stock price exceeded the 2001 average stock price, a bonus in the amount of \$743,381 was awarded to Mr. Tuchman for 2002 under this performance measure; however, this amount constituted a portion of the entire 2002 bonus voluntarily relinquished by Mr. Tuchman.

We have entered into an employment agreement with Arthur L. Burns, Executive Vice President, General Counsel and Director of the Company. Mr. Burns's employment agreement with the Company became effective on

July 1, 2004 and currently expires on October 16, 2006, except that on October 17, 2006 and on each three year anniversary of such date, the term shall be automatically extended for an additional three year period, unless the Company or Mr. Burns shall have given written notice of intention not to renew 180 days prior to the expiration of the then current term. During 2004, Mr. Burns was paid an annual base salary of \$375,000, participated in all Company fringe benefits programs, and was entitled to receive a target bonus in the amount of \$125,000 upon the successful completion of performance objectives as determined from time to time. Additional discretionary bonuses may be paid in such amounts as shall be determined at the sole discretion of the Compensation Committee. Commencing on January 1, 2005 and on each subsequent January 1, Mr. Burns's salary and target bonus shall be either maintained or adjusted upwards as determined in the sole discretion of the Compensation Committee. In addition, Mr. Burns is reimbursed for all transition expenses through June 30, 2005 and will receive up to \$100,000 in transition expenses subsequent to October 2004 in lieu of relocation expenses should he elect not to relocate. In the event that the Company terminates the employment agreement during the term for any reason other than cause or disability or elects not to renew Mr. Burns's employment agreement or if Mr. Burns terminates the employment agreement for good reason, (which, as defined in the employment agreement, would include a change of control of the Company) Mr. Burns is entitled to a severance payment in an amount equal to 36 months of his then current base salary and target bonus and continued paid participation in all health, life and disability insurance programs offered by the Company to all employees. In the event of a change of control, the obligations of the Company under the employment agreement, including severance obligations shall expire no earlier than 36 months following the change of control. In addition, the Company granted Mr. Burns stock appreciation rights to 150,000 shares of common stock at a price of \$14.05 per share, pursuant to which Mr. Burns shall receive an amount equal to any appreciation in the Company's common stock market value. The stock appreciation rights vested as of January 15, 2005. The Company has reserved the right to substitute common stock options under the same terms and conditions of the stock appreciation rights. The common stock appreciation rights or common stock options are exercisable by Mr. Burns at any time prior to the expiration of the earlier of 10 days following the termination of Mr. Burns (except that the ten day period shall not apply in the event of a termination by the Company without cause, executive disability or termination by Mr. Burns for good reason) or June 30, 2014. Upon the termination of the employment agreement and payment of the severance payment, Mr. Burns has agreed not to compete with the Company, directly or indirectly, for a period of one year.

We have entered into an employment agreement with James F. Walsh, Executive Vice President and Chief Financial Officer of the Company. Mr. Walsh's employment agreement with the Company became effective on July 1, 2004 and, as amended, currently expires on November 16, 2006, provided, however, that the term shall automatically be extended for an additional one year period unless either the Company or Mr. Walsh shall have given written notice of intention not to renew 180 days prior to the expiration of the then-current term. During 2004, Mr. Walsh was paid an annual base salary of \$275,000, participated in all Company related fringe benefit programs, and was entitled to receive a target bonus in the amount of \$165,000 upon the successful completion of performance objectives as determined from time to time. During 2005, Mr. Walsh receives a base salary of \$315,000 and continues to participate in all Company related fringe benefit programs. Discretionary bonuses may be paid to Mr. Walsh in such amounts as shall be determined at the sole discretion of the Compensation Committee. Commencing on January 1, 2006 and on each subsequent anniversary date, Mr. Walsh's salary and target bonus shall either be maintained or adjusted upwards as determined in the sole discretion of the Compensation Committee. In addition, Mr. Walsh was reimbursed for all transition expenses through December 31, 2004 and will continue to be reimbursed on an after-tax basis for commuting costs between Richmond, Virginia and Princeton, New Jersey and living expenses in Princeton through the term of the Employment Agreement or, if earlier, his election to relocate to Princeton. Pursuant to the Employment Agreement, during 2004, the Company granted Mr. Walsh stock appreciation rights to 25,000 shares of common stock at a price of \$14.05 per share, pursuant to which Mr. Walsh shall receive an amount equal to any appreciation in the Company's common stock market value. The stock appreciation rights vested with respect to 5,000 shares on January 15, 2005 and will vest with respect to 11,666 shares on December 31, 2005 and the remaining 8,334 shares on December 31, 2006. Vesting will be accelerated upon the occurrence of a change of control or privatization of the Company. The Company has reserved the right to substitute common stock options under the same terms and conditions of the stock appreciation rights. These common stock appreciation rights (or replacement common stock options) may be exercisable by Mr. Walsh at any time prior to the expiration of the earlier of 10 days following the

termination of Mr. Walsh (except that the ten day period shall not apply in the event of a termination by the Company without cause, executive disability or termination by Mr. Walsh for good reason) or June 30, 2014. In the event that the employment agreement is terminated during the term by either the Company for any reason other than cause or disability or by Mr. Walsh for good reason, Mr. Walsh shall be entitled to a severance payment in an amount equal to 24 months of his then current salary and target bonus and continued paid participation in all Company health, disability and life insurance programs. In the event of a change of control, the obligations of the Company under the employment agreement, including severance obligations, shall expire no earlier than 24 months following the change of control. If the Company does not renew Mr. Walsh's employment agreement following a change in control, Mr. Walsh is entitled to a severance payment equal to his then current base salary and target bonus. Upon the termination of the employment agreement and payment of the severance payment, Mr. Walsh has agreed not to compete with the Company, directly or indirectly, for a period of one year. In connection with the extension and amendment of Mr. Walsh's employment agreement, he was granted stock options with respect to options to purchase 25,000 shares of common stock at the closing price on May 18, 2005 pursuant to the Company's 2004 Stock Option Plan for Executive officers, vesting in installments through 2007.

We have entered into an employment agreement with Richard W. Gross, Executive Vice President of the Company and Chief Operating Officer of Interpool Limited. Mr. Gross's employment agreement with the Company became effective on July 1, 2004 and currently expires on October 14, 2005, provided, however, that the term shall automatically be extended for an additional one year period unless either the Company or Mr. Gross shall have given written notice of intention not to renew 180 days prior to the expiration of the then current term. During 2004, Mr. Gross was paid an annual base salary of \$300,000, participated in all Company related fringe benefit programs, and was entitled to receive a target bonus in the amount of \$160,000 upon the successful completion of performance objectives as determined from time to time. Additional discretionary bonuses may be paid in such amounts as shall be determined at the sole discretion of the Compensation Committee. Commencing on January 1, 2005 and on each subsequent anniversary date, Mr. Gross's salary and target bonus shall either be maintained or adjusted upwards in the sole discretion of the Compensation Committee. In addition, the Company granted Mr. Gross stock appreciation rights to 100,000 shares of common stock at a price of \$14.05 per share, pursuant to which Mr. Gross shall receive an amount equal to any appreciation in the Company's common stock market value. Pursuant to the stock appreciation rights, 50,000 shares vested on January 15, 2005 and the other 50,000 shares vested on October 15, 2005. The Company has reserved the right to substitute common stock options under the same terms and conditions of the stock appreciation rights. The common stock appreciation rights or common stock option may be exercisable by Mr. Gross at any time prior to the expiration of the earlier of 10 days following the termination of Mr. Gross (except that the ten day period shall not apply in the event of a termination by the Company without cause, executive disability or termination by Mr. Gross for good reason) or June 30, 2014. In the event that the employment agreement is terminated during the term by either the Company for any reason other than cause or disability or by Mr. Gross for good reason, Mr. Gross shall be entitled to a severance payment in an amount equal to 24 months of his then current salary and target bonus and 24 months continued paid participation in all Company health, disability and life insurance programs. In the event of a change of control, the obligations of the Company under the employment agreement including severance obligations shall expire no earlier than 24 months following the change of control. If the Company does not renew Mr. Gross's employment agreement following a change in control, Mr. Gross is entitled to a severance payment equal to his then current salary and target bonus. Upon the termination of the employment agreement and payment of the severance payment, Mr. Gross has agreed not to compete with the Company, directly or indirectly, for a period of one year.

In October 2004, we entered into an employment agreement with Herbert Mertz, Executive Vice President of the Company and Chief Operating Officer of Trac Lease for the period commencing on January 1, 2005 and expiring on December 31, 2005. Under the agreement Mr. Mertz is paid an annual base salary of \$288,750, participates in all Company related fringe benefit programs and is entitled to receive a target bonus upon the successful completion of performance objectives in such amount as shall be determined by the Compensation Committee from time to time. Discretionary bonuses may be paid in amounts as determined by the Compensation Committee. In the event that the employment agreement is terminated during the term by either the Company for any reason other than cause or

disability or by Mr. Mertz for good reason, Mr. Mertz is entitled to a severance payment in an amount equal to two and one-half times his then current salary and 30 months continued paid participation in all Company health, disability and life insurance programs. In the event of a change of control, the obligations of the Company under the employment agreement do not expire less than 30 months following the change of control. Upon the termination of the employment agreement, Mr. Mertz agreed not to compete with the Company, directly or indirectly, for a period of two years. On or before 180 days prior to the expiration of the term, the Company was required to present Mr. Mertz with an employment agreement for an additional one-year term which could have been accepted or rejected by him or give him notice that the term would not be extended. In July 2005, Mr. Mertz's employment agreement was extended for an additional one year term which will commence on January 1, 2006 and expire on December 31, 2006, provided, however, that the term shall automatically be extended for an additional one year period unless either the Company or Mr. Mertz shall have given written notice of intention not to renew 180 days prior to the expiration of the then current term. During 2006, Mr. Mertz will be paid an annual base salary of \$300,000, participate in all Company related fringe benefit programs, and receive a target bonus upon the successful completion of performance objectives in such amount as shall be determined by the Compensation Committee from time to time. Additional discretionary bonuses may be paid in such amounts as shall be determined at the sole discretion of the Compensation Committee. Commencing on January 1, 2007 and on each subsequent anniversary date, Mr. Mertz's salary and target bonus shall either be maintained or adjusted upwards in the sole discretion of the Compensation Committee. In addition, the Company granted Mr. Mertz 50,000 common stock options at a price of \$21.05 per share, pursuant to the Company's 2004 Stock Option Plan for Executive officers, vesting in installments through 2007. In the event that the employment agreement is terminated during the term by either the Company for any reason other than cause or disability or by Mr. Mertz for good reason, Mr. Mertz shall be entitled to a severance payment in an amount equal to 24 months of his then current salary and target bonus and continued paid participation in all Company health, disability and life insurance programs. In the event of a change of control, the obligations of the Company under the employment agreement, including severance obligations, shall expire no earlier than 24 months following the change of control. If the Company does not renew Mr. Mertz's employment agreement following a change in control, Mr. Mertz is entitled to a severance payment equal to his then current base salary and target bonus. Upon the termination of the employment agreement and payment of the severance payment, Mr. Mertz has agreed not to compete with the Company, directly or indirectly, for a period of two years.

### **Deferred Bonus Plan**

In November 2002, our Board of Directors approved a Deferred Bonus Plan under which employees of Interpool and our affiliates who receive discretionary year-end bonuses of greater than \$50,000 would receive such bonuses partly in cash and partly in the form of an award of Interpool common stock. Bonus stock awards under this plan would vest in equal installments over a five-year period, unless the recipient elected to have the award vest over a ten-year period or the Board of Directors specified another period. The unvested portion of any bonus stock award will vest immediately if a change in control of Interpool occurs, if the employee is terminated without cause, if the employee resigns for a good reason, if the employee dies or becomes permanently disabled, or in any other circumstance deemed appropriate by the Board of Directors. If a recipient resigns voluntarily without a good reason or is terminated for cause, the employee would forfeit any unvested portion of any bonus stock award. The number of shares covered by any bonus stock award would be determined based upon a 10% discount from the market price of Interpool common stock at year-end, except that the discount will be 30% for any bonus stock awards that vest over ten years. Under the Deferred Bonus Plan, each employee granted a bonus stock award will have the right to require us to purchase from the employee a total number of shares equal to the number covered by the bonus stock award.

On January 2, 2003, the Company granted to 12 eligible employees 139,067 shares of restricted stock that had a fair value of \$16.83 per share at the grant date, 4,641 of which vest over a five year period, 74,019 vest over a ten year period and 60,407 were forfeited. During the fourth quarter of 2003, in accordance with the terms of the separation agreement with the Company's previous President and Chief Operating Officer, 60,407 unvested shares were forfeited.

On January 2, 2004, the Company granted to 17 eligible employees 27,259 shares of restricted stock that had a fair value of \$13.60 per share at the grant date, 7,301 of which vest over a five year period and 19,958 vest over a ten year period. During the first quarter of 2004, our Chief Executive Officer elected to voluntarily relinquish his entire 2002 bonus including 60,407 unvested shares of restricted stock.

In September 2004, the Board of Directors terminated the Deferred Bonus Plan. All stock previously issued under the Deferred Bonus Plan will continue to be subject to the terms of the Deferred Bonus Plan. However, future bonuses will not be subject to the terms of the Deferred Bonus Plan.

## **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

### **Chassis Holding I, LLC**

The Ivy Group, which is a New Jersey general partnership composed directly or indirectly of Mr. Tuchman, Radcliff Group, Inc., Raoul J. Witteveen, Thomas P. Birnie and Graham K. Owen, has previously leased chassis to Trac Lease. As of December 31, 2000, pursuant to various equipment lease agreements, Trac Lease leased 6,047 chassis from The Ivy Group and its principals for an aggregate annual lease payment of approximately \$2.9 million. On January 1, 2001, the various leases for the 6,047 units were combined into a single lease pursuant to which The Ivy Group and its principals were paid an aggregate lease payment of approximately \$2.6 million through June 30, 2001.

Effective as of July 1, 2001, we restructured our relationship with The Ivy Group and its principals to provide us with managerial control over these 6,047 chassis. As a result of the restructuring, the partners of The Ivy Group contributed these 6,047 chassis and certain other assets and liabilities to our newly formed subsidiary, Chassis Holdings I, LLC, in exchange for \$26.0 million face value of preferred membership units and 10% of the common membership units, and Trac Lease contributed 902 chassis and two thousand dollars in cash to Chassis Holdings in exchange for \$3.0 million face value of preferred membership units and 90% of the common membership units. The preferred membership units are entitled to receive a preferred return prior to the receipt of any distributions by the holders of the common membership units. The value of the contributed chassis was determined by taking the arithmetic average of the results of independent appraisals performed by three nationally recognized appraisal firms that were engaged by us in connection with our establishment of a chassis securitization facility in July 2000. As the managing member of Chassis Holdings, Trac Lease exercises sole managerial control over the entity's operations. Chassis Holdings leases all of its chassis to Trac Lease at a rental rate equal to the then current Trac Lease fleet average per diem. Chassis Holdings and the holders of the preferred membership units are party to a Put/Call Agreement which provides that the holders of preferred units may put such units to Chassis Holdings under certain circumstances and Chassis Holdings has the right to redeem such units under certain circumstances. Chassis Holdings will be required to make certain option payments to the holders of the preferred membership units in order to preserve its right to redeem such units. Dividends paid on the common units and distributions on the preferred units totaling \$3.1 million, \$2.9 million and \$3.1 million for 2004, 2003, and 2002, respectively, are included in minority interest expense in the consolidated statement of income.

During 1992 through 1996, The Ivy Group borrowed \$13.4 million from us. The loan bore interest at LIBOR plus 1.75% repayable on an interest only basis, subject to maintenance of fixed loan to collateral value ratios, and will mature in 2013. In connection with this loan, The Ivy Group executed a Chattel Mortgage Security Agreement and Assignment under which we were granted a security interest in 4,364 chassis owned by The Ivy Group and we were granted an assignment of all rights to receive rental payments and proceeds related to the lease of these chassis. This Ivy Group collateral was contributed, subject to this debt to us of \$13.4 million, to Chassis Holdings as part of our July 1, 2001 restructuring with The Ivy Group.

At a meeting held on March 5, 2001, the members of the Board of Directors unanimously determined that the terms of all arrangements between The Ivy Group and Trac Lease, including the formation of Chassis Holdings, were

beneficial and fair to Interpool.

### **The Ivy Group Guarantee of PCR Line of Credit**

In connection with our sale of Personal Computer Rental Corporation ("PCR"), a 51%-owned subsidiary, in December 2001, Martin Tuchman and Raoul Witteveen agreed in March 2002 to guarantee a pre-existing line of credit between PCR and Yardville National Bank in the amount of \$3,000,000 and the Company was released from a guarantee it had previously executed. This guarantee was subsequently paid off through advances made to PCR by The Ivy Group. PCR's line of credit with Yardville National Bank was reduced to \$1,666,000 in March 2002 and later increased to \$2,000,000 in September 2002. Advances amounting to \$1,983,134 and \$698,000 in 2002 and 2003, respectively, were made to PCR by The Ivy Group to pay off borrowings under the line of credit and to provide working capital. The Ivy Group is a partnership controlled by certain current and former officers and directors of the Company. The advances made by The Ivy Group to PCR were considered capital contributions to the Company and payments by the Company to PCR. The payments to PCR have been determined to be uncollectible and were expensed by the Company in 2002 and included in other (income)/expense, net. Payments made in 2002 amounting to \$1,983,134 have been included in additional paid-in-capital. The remaining payments made in 2003 of \$698,000 have been included in accounts payable and accrued expenses at December 31, 2002 and were reclassified to additional paid-in-capital in the period when the payments were made.

### **Eurochassis L.P. Transactions**

Eurochassis L.P., a New Jersey limited partnership in which Raoul J. Witteveen, our former President and a major stockholder, is one of the limited partners and the general partner, leases 100 chassis to Trac Lease for an annual lease payment of approximately \$86,000. The annual lease term renews automatically unless canceled or renewed upon renegotiated lease rate terms by either party prior to the first day of the renewal period. The members of the Board of Directors have unanimously determined that the terms of all arrangements between Eurochassis L.P. and Trac Lease are beneficial and fair to the Company.

### **Radcliff Consultation Services Agreement**

We entered into a Consultation Services Agreement with Radcliff Group, Inc. dated as of January 1, 1992, as amended and restated in February 1993, pursuant to which Radcliff Group appointed Warren L. Serenbetz, a stockholder and director of the Company through December 15, 2004, as Executive Consultant. The Consultation Services Agreement was terminated as of January 1, 1995. In accordance with the terms of the Consultation Services Agreement, following such termination Radcliff Group remained entitled to receive its full annual consultation services fee in the amount of \$492,000 through December 31, 2002 and reimbursement to both the designated Executive Consultant and his spouse of all health related costs and expenses that were not advanced or reimbursed to the Executive Consultant pursuant to our medical and dental insurance plans through December 2007.

### **Executive Office Lease**

During 2001 and a portion of 2002, we leased approximately 28,500 square feet of commercial space for our executive offices in Princeton, New Jersey from 211 College Road Associates, a New Jersey general partnership. Martin Tuchman, a Director and the Chief Executive Officer and Warren L. Serenbetz, a director of the Company, through December 15, 2004, held a direct or indirect equity interest of 89.73% in 211 College Road Associates. The 2001 annual base rental for this property was approximately \$557,000 under a triple net lease expiring in 2010. In the opinion of our management, rent paid under this lease did not exceed rent that we would have paid in an arms' length transaction with an unrelated third party.

On January 28, 2002, we executed a Purchase and Sale Agreement, pursuant to which, on May 1, 2002, we purchased the office building in Princeton which houses our executive offices from 211 College Road Associates. The

fair market value purchase price of the approximately 39,000 square feet building was \$6,250,000, based upon a determination of the fair market value of the property by an independent property appraisal firm. The purchase price and other terms of the purchase were approved unanimously by our Board of Directors on January 10, 2002.

### **Bank Loans**

In April 2003 and August 2003 we borrowed \$16,000,000 and \$7,000,000, respectively, from Yardville National Bank, a subsidiary of an entity in which our Chief Executive Officer owns approximately five percent of the common stock and serves on the Executive Committee of the Board of Directors. The term of the \$16,000,000 loan was three years. Thirty four fixed monthly principal payments of \$250,000 commencing May 25, 2003 were due with a final principal payment of \$7,500,000 due on March 25, 2006. Interest, at an initial rate of 4.25%, was adjusted monthly to the prime rate as published in the Wall Street Journal subject to a 4% minimum and 5% maximum per annum rate.

The term of the \$7,000,000 loan was five years. Fifty nine fixed monthly principal payments of \$75,000 commencing September 7, 2003 were due with a final principal payment of \$2,575,000 due on August 7, 2008. Interest, at an initial rate of 4% was adjusted monthly to the prime rate as published in the Wall Street Journal subject to a 4% minimum and 6% maximum per annum rate.

In September 2000, Yardville National Bank provided a revolving line of credit to the Company. The line of credit was initially \$9,750,000 and was secured by equipment and the related leases. The interest rate was Yardville National Bank's base interest rate minus .5%. The Company utilized a portion of this facility from inception through April 2002 when the loan balance was paid and the facility ended.

In connection with our borrowings from Yardville National Bank, our Board of Directors unanimously determined that the interest rate and other terms of such borrowings were at least as favorable to us as could have been obtained in an arms'-length transaction with an unrelated third party.

In addition to our borrowings from Yardville National Bank, beginning in May 2000 Yardville National Bank provided a revolving line of credit to our subsidiary PCR. The line of credit was initially \$2,500,000 and was increased to \$5,000,000 in July 2000 (upon termination of a similar line of credit provided to our subsidiary Microtech). The interest rate was Yardville National Bank's base interest rate minus .5%. Advances under this line of credit were secured by a first lien on PCR's business assets. In connection with our sale of our interest in PCR in December 2001, Yardville National Bank released its security interest in PCR's assets and reduced the amount of the line to \$3,000,000. At the same time, we provided a guarantee of this line of credit on PCR's behalf. In March 2002, the amount of the credit line was further reduced to approximately \$1,650,000, the balance then outstanding, and, at our request, Yardville National Bank terminated our guarantee and accepted in lieu thereof a guarantee from certain of our officers and directors. The PCR line of credit was renewed and increased to \$2,000,000 in September 2002.

During November 2004, all outstanding borrowings from Yardville National Bank were paid in full.

### **Fathom Co., LTD Agency Fees**

We paid Fathom Co., LTD ("Fathom"), our local representative in Taiwan, \$116,400 for each of the years ended December 31, 2004, 2003 and 2002 to represent us with the Taiwan depots that store and repair damaged containers and to provide customer support. Fathom is owned by a Regional Vice President of Interpool Limited (who is not an executive officer of the Company) and members of his family. Management has determined that the fee for these services between Fathom and Interpool Limited are beneficial and fair to the Company.

## **REPORT OF THE COMPENSATION COMMITTEE**

The Compensation Committee continues to play a significant role in furthering corporate goals and objectives and reviewing progress and performance. The Compensation Committee's objectives in establishing total compensation packages for the Company's executives are to attract and retain experienced and highly competent executives and to provide incentive and recognition of each individual's contributions toward achieving corporate objectives, specifically including increasing stockholder value. The elements of total executive compensation reflect the objectives of the Compensation Committee. The base salary of the Chief Executive Officer is supplemented by bonuses awarded on the basis of quantifiable measures of performance. Base salaries and discretionary bonuses are paid to the Company's other executives based on an evaluation of each individual's contribution to furthering corporate strategies and project participation. The Committee believes that the "hands on" involvement of the Chief Executive Officer and other executive officers in all phases of the Company's operations contributes significantly to realizing Company objectives.

The base salary of Mr. Tuchman, the Company's Chief Executive Officer, is established under his Employment Agreement. Mr. Tuchman's base salary for 2004 was \$942,826, which reflected a 5% increase above the annual base salary for the preceding year, in accordance with the terms of the Employment Agreement. In addition to any discretionary bonus awarded by the Compensation Committee, Mr. Tuchman is entitled under his employment agreement to receive an annual bonus equal to 2% of the amount of any increase in the Company's net income over its net income for the preceding year. For 2004, a total bonus in the amount of \$2,617,492 was paid to Mr. Tuchman, as discussed below.

Based upon the findings and recommendations of an independent consulting firm retained in 1999 to review the Company's executive compensation practices and provide industry comparable data including both finance/leasing companies, transportation firms and our direct competitors, the Compensation Committee adopted a formal bonus plan for the Chief Executive Officer effective January 1, 2000, with three measures of incentive bonus performance: 1) increase in stock price; 2) increase in net income; and 3) maintaining an investment grade rating by either Moody's or Standard and Poor's. These measures are in addition to the contractual bonus provision contained in the Chief Executive Officer's employment agreement. In 2004, the Compensation Committee reviewed the existing compensation plan and concluded that these measures of performance continued to reflect the Company's corporate goals and objectives with respect to compensation to be paid to the Chief Executive Officer. Under the formal plan, Mr. Tuchman would be entitled to a bonus for 2004 if any of the following were to occur in 2004: (i) if the market price of the Company's common stock in 2004 were to exceed the previous "high water mark" established in 2003 (in which event a bonus of 1.5% of any excess would be paid to Mr. Tuchman and a new high water mark would be established), (ii) if the Company's net income for 2004 were to exceed the highest net income previously reported by the Company (in which event Mr. Tuchman would receive a bonus equal to 10% of the increase), or (iii) if the Company were to have an Investment Grade rating from either major rating agency, Moody's or Standard & Poors, at year end (in which event an additional cash bonus of \$100,000 would be paid to Mr. Tuchman). On an ongoing basis, once a bonus is paid based upon a stock price or net income, such payments establish new stock price levels and income levels that must be exceeded in future years in order for a bonus to be paid. (In the event of a stock split the average stock price for bonus purposes will be adjusted.)

Because the Company's net income in 2004 was lower than its net income in 2003, Mr. Tuchman did not earn a bonus for 2004 based upon any increase in the Company's net income. The Committee noted, however, that the Company's 2004 net income was adversely affected by a non-cash expense in the amount of \$49,222,339 resulting from an increase during the fourth quarter of 2004 in the fair value of common stock purchase warrants issued by the Company in September 2004, and that without this expense the Company's 2004 net income would have been \$57,650,843, representing the highest net income ever reported by the Company. The Committee also noted that, when all accounting conditions are met by the Company, the valuation of these warrants will be reclassified to equity without affecting net income, the measurement used to compensate Mr. Tuchman under the plans discussed above. Although this expense was required by generally accepted accounting principles, the Committee concluded that Mr. Tuchman should receive a discretionary bonus reflecting the Company's profitable operations and other accomplishments during 2004, notwithstanding the adverse effect on net income of the non-cash expense relating to



the warrants. Accordingly, in early 2005, the Committee agreed to pay Mr. Tuchman a discretionary bonus for 2004 in the amount of \$1,861,025, which represented the amount of the bonuses to which Mr. Tuchman would have been entitled under the terms of his employment agreement and under his bonus plan if the Company's 2004 net income had not been adversely affected by the warrant expense. This discretionary bonus was paid to Mr. Tuchman in cash during the first quarter of 2005. The Committee and Mr. Tuchman agreed that Mr. Tuchman's eligibility in 2005 and thereafter for bonuses based on any future increases in the Company's net income will be measured against its adjusted net income for 2004 (excluding the warrant charge) of \$57,650,843.

Mr. Tuchman also received an additional 2004 cash bonus in the amount of \$406,467, which was earned under the terms of the Company's bonus plan based upon an increase in the average market capitalization of the Company during 2004 as compared to the highest previous yearly average market capitalization (achieved in 2001). In addition, during 2004, the Compensation Committee determined to pay Mr. Tuchman a discretionary bonus of \$350,000 in recognition of his efforts on the Company's behalf during 2003 and 2004.

### **Stock Options; Stock Appreciation Rights**

Grants of stock options and stock appreciation rights are considered by the Compensation Committee in evaluating total compensation and assuring that executive rewards are linked with long term stockholder value.

In December 2004, options to purchase 15,000 shares were granted to Peter D. Halstead, Clifton H. W. Maloney, Michael S. Mathews, Warren L. Serenbetz, Jr., William J. Shea Jr. and Joseph J. Whalen immediately following the Company's 2004 Annual Meeting of Stockholders, pursuant to the Company's 2004 Nonqualified Stock Option Plan for Non-Employee, Non-Officer Directors (the "2004 Directors Plan"). No other stock options were granted during 2004.

During 2004, the Company granted stock appreciation rights to three executive officers as provided in their employment agreements.

### **Tax Deductibility of Compensation**

As part of the Omnibus Budget Reconciliation Act of 1993 (the "Act"), certain provisions regarding executive compensation for officers of public companies were added to the Internal Revenue Code. Under the Act, the Internal Revenue Service has issued regulations setting forth exclusions from the Act's general disallowance of ordinary business expense deduction for compensation in excess of \$1 million paid to a company's chief executive officer and each of the next four most highly compensated executive officers. The Compensation Committee has decided that at this time no measures will be undertaken to alter the compensation plans, but the Committee will continue to review the issue and evaluate whether compensation plans should be altered in the future to satisfy the deductibility requirements.

Respectfully submitted,

Peter D. Halstead  
Warren L. Serenbetz, Jr.  
William J. Shea  
Joseph J. Whalen

### **REPORT OF THE AUDIT COMMITTEE**

During 2004, the Audit Committee was comprised of independent directors Peter D. Halstead, Joseph J. Whalen and Clifton H.W. Maloney. The Audit Committee's functions are to review management's maintenance of systems of internal control (including compliance with Section 404 of the Sarbanes-Oxley Act of 2002), financial reporting and application of U.S. generally accepted accounting principles. While management has the primary responsibility for the system of internal controls and the financial reporting process and the independent registered public accounting firm has the responsibility to express an opinion on the consolidated financial statements based on an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Audit Committee has the responsibility to monitor and oversee these processes. In addition, the Audit Committee reviewed the scope of the services of our independent registered public accounting firm and may recommend the independent registered public accounting firm for appointment by the Board of Directors. The Audit Committee met eleven times in 2004.

In fulfilling its responsibilities, the Audit Committee recommended to the Board the selection of the Company's independent registered public accounting firm, KPMG LLP for the fiscal year 2004. KPMG LLP has discussed with the Committee and provided written disclosures to the Committee on (1) that firm's independence as required by the Independence Standards Board and (2) the matters required to be communicated under the standards of the Public Company Accounting Oversight Board (United States). The Committee reviewed with the Company's executive management and the independent registered public accounting firm the overall scope and specific plans for their respective audits, the results of their examinations, their evaluation of the company's internal controls (including compliance with Section 404 of the Sarbanes-Oxley Act of 2002), and the overall quality of the Company's accounting and financial reporting. The Committee reviewed and discussed the Company's audited consolidated financial statements with management and the independent registered public accounting firm. Following these actions, the Committee recommended to the Board that the audited consolidated financial statements be included in the company's Annual Report on Form 10-K for the year ended December 31, 2004 filed with the Securities and Exchange Commission.

The Audit Committee

Clifton H.W. Maloney  
 Peter D. Halstead  
 Michael S. Mathews  
 Joseph J. Whalen

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information with respect to the beneficial ownership of the Company's common stock as of October 24, 2005 by certain beneficial owners, each of the Company's directors, certain executive officers and all executive officers and directors as a group.

Name of Beneficial Owner	Number of Shares (1)	Options Exercisable Within 60 Days	Percen Of Clas
-----	-----	-----	-----
<b>Officers and Directors:</b>			
Martin Tuchman (2) (3)	9,270,820	2,280,000	30
Arthur L. Burns	210,008	96,563	*
Warren L. Serenbetz, Jr. (4) (5) (6) (11)	473,726	0	1
Peter D. Halstead	67,500	60,000	*
Clifton H. W. Maloney	15,000	15,000	*
Joseph J. Whalen	37,500	37,500	*
William J. Shea, Jr.	0	0	*
Michael S. Mathews	0	0	*
William A. Geoghan (7)	9,398	7,500	*

Edgar Filing: INTERPOOL INC - Form DEF 14A

Herbert Mertz (7)	9,371	7,500	*
Richard W. Gross (7)	2,333	0	*
Brian Tracey	1,176	0	*
James F. Walsh (7)	25	0	*
Christopher N. Fermanis (7)	1,345	0	*
Executive officers and directors as a group (fourteen persons, as of October 24, 2005)	10,098,202	2,504,063	32
<b>Other Stockholders:</b>			
Hickory Enterprises, L.P. (8) (9) 165 Signal Hill North Wilton, CT 06897	4,467,698	0	15
Raoul J. Witteveen (10) Surinamestaat 37 2585 CH The Hague The Netherlands	4,427,549	0	15
Warren L. Serenbetz. (4) (5) (6) (12) 695 West Street Harrison, NY 10528	766,142	0	2
Paul H. Serenbetz (4) (5) 12 Howard Avenue New Haven, CT 06519	291,756	0	1
Stuart W. Serenbetz (4) (5) Stonebridge Development Corp. 6 Hickory Drive Stamford, CT 06902	292,096	0	1
Clay R. Serenbetz (4) (5) 695 West Street Harrison, NY 10528	292,646	0	1
The Chartres Limited Partnership (13) c/o Interpool, Inc. 633 Third Avenue New York, NY 10017	90,000	0	*
Other Stockholders as a group *Less than 1%	10,814,678	0	37

- (1) Includes shares subject to options which are exercisable within 60 days. In the event that all said options were exercised, the total outstanding number of the shares of the Company's common stock would be 31,283,916. The percentage of class is calculated on the basis of an assumption that only the named individual exercised all of his options. Does not include the following options not exercisable within 60 days: Herbert Mertz; 100,000 shares; Peter D. Halstead, 15,000; Joseph J. Whalen, 15,000; Clifton H. W. Maloney, 15,000; Michael S. Mathews, 15,000; William J. Shea, 15,000; Warren L. Serenbetz, Jr., 15,000, James F. Walsh, 25,000. Does not include shares which could be issued upon conversion in connection with holdings of the Company's 9.25% Convertible Redeemable Subordinated Debentures with a conversion price of \$25.00 per share. Conversion of the holdings of the Debentures would result in a share issuance as follows: Martin Tuchman 80,000 shares; Warren L. Serenbetz, Sr. and related entities and family members 106,906 shares; Arthur Burns 9,600 shares; Peter Halstead 1,000 shares; Joseph Whalen 8,000 shares; Clifton Maloney 2,000 shares; Richard Gross 8,000 shares; and Herbert Mertz 2,400 shares.
- (2) The business address of Mr. Tuchman is 211 College Road East, Princeton, New Jersey 08540.
- (3) Includes 6,735,818 shares directly held by Mr. Tuchman; 8,668 shares held by a pension plan f/b/o Mr. Tuchman; 46,619 shares held by a revocable grantor trust of which Mr. Tuchman is the grantor and trustee and Mr. Tuchman's brother is the beneficiary; 7,000 shares held by the Tuchman Foundation; 5,797 shares representing Mr. Tuchman's 51.3% interest in shares held by Kingstone Capital Group, LLC, a New Jersey limited liability company; 1,500 shares held by a pension plan f/b/o Mr. Tuchman's wife; 182,381 shares held by Princeton International Properties, Inc., a New Jersey corporation owned by Mr. Tuchman and his wife; and 3,037 shares held by Mr. Tuchman's wife.
- (4) Does not include shares held by Hickory Enterprises, L.P. described in footnote (8) below.

- (5) Each of Paul H. Serenbetz, Stuart W. Serenbetz and Clay R. Serenbetz is a brother of Warren L. Serenbetz, Jr. Warren L. Serenbetz is Warren L. Serenbetz, Jr.'s father.
- (6) At the stockholder meeting on December 15, 2004, Warren L. Serenbetz, Jr. was elected to the board of directors. Warren L. Serenbetz, who previously served as a director, did not stand for reelection to the board.
- (7) Includes indirect beneficial ownership of shares held by immediate family members.
- (8) In 1994, Hickory Enterprises, L.P., a Delaware limited partnership ("Hickory") was formed. Warren L. Serenbetz contributed shares of the Company's common stock in exchange for a limited partnership interest in Hickory. Each of Warren L. Serenbetz, Jr., Stuart W. Serenbetz, Paul H. Serenbetz and Clay R. Serenbetz contributed shares of the Company's common stock in exchange for a general partnership and limited partnership interest in Hickory. Each of the four general partners in Hickory has one vote in matters before Hickory.
- (9) Does not include 186,791 shares held by exchange funds as to which Hickory Enterprises does not retain voting rights.
- (10) Includes 4,272,850 shares directly held by Mr. Witteveen; 101,210 shares held by an exchange fund as to which Mr. Witteveen retains certain voting rights; 1,500 shares of which Mr. Witteveen's wife is the record owner; and 1,989 shares representing Mr. Witteveen's interest in shares held by Kingstone Capital Group, LLC, a New Jersey limited liability company.
- (11) Includes 182,380 shares held by the Radcliff Group, Inc.
- (12) The Warren L. Serenbetz Revocable Trust, of which Warren L. Serenbetz is the trustee, is the record owner of these shares of the Company's common stock. The beneficiaries of the Warren L. Serenbetz Revocable Trust are members of the immediate family of Warren L. Serenbetz.
- (13) On February 1, 1995, Arthur L. Burns entered into an Agreement of Limited Partnership pursuant to which Mr. Burns contributed 90,000 shares of restricted common stock to The Chartres Limited Partnership ("Chartres"), in exchange for a 98% limited partnership interest in Chartres. Each of Meredith K. Burns and Kristin M. Reynolds, daughters of Arthur L. Burns, are the other limited partners and the general partners of Chartres. Limited partners do not have any voting rights or rights to participate in the management or operation of Chartres.

### ***Beneficial Ownership Reports***

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors to file certain reports of ownership and reports of changes of ownership of our equity securities with the Securities and Exchange Commission. Executive officers and directors are required to furnish us with copies of all Section 16(a) forms that they file. Based upon a review of the copies of such forms received by us, or written representations from certain reporting persons, we believe that, during 2004, all filing requirements applicable to its officers and directors were complied with except that Messrs. Martin Tuchman, Arthur L. Burns, Warren L. Serenbetz, Brian Tracey, James Walsh, and Richard Gross had two delinquent filings each and Herbert Mertz and William Geoghan had one delinquent filing each.

### **STOCK PERFORMANCE GRAPH**

The graph below compares our cumulative stockholder returns for the preceding fiscal year with the Standard & Poor's 500 Stock Index and the Dow Jones Transportation Index. The graph assumes the investment of \$100 at the commencement of the measurement periods and that all dividends were reinvested.

**ITEM 2. RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2005**

The Board of Directors has appointed KPMG LLP as the Company's independent registered public accounting firm for 2005. The ratification of the selection of KPMG LLP requires the affirmative vote of the holders of a majority of shares of common stock present or represented and entitled to vote on this matter at our Annual Meeting.

As the Company's independent registered public accounting firm, KPMG LLP provides services relating to the audit of the annual consolidated financial statements included in our Annual Report on Form 10-K, the review of interim financial information included in our quarterly reports on Form 10-Q and consultation services primarily related to tax planning matters.

Representatives of KPMG LLP are expected to be present at the annual meeting. They will have an opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

During 2004, there were no disagreements with KPMG LLP on accounting and financial disclosure

*Accounting Fees and Services*

**Accounting Fees and Services**

The following table sets forth the aggregate fees billed to the Company by KPMG for professional services rendered for the fiscal year ended December 31 of the year indicated:

	2004	2003
	-----	-----
Audit Fees (1)	\$ 2,447,000	\$1,630,000
Tax Fees	10,000	14,000
	-----	-----
Total Fees	\$ 2,235,000	\$1,644,000
	=====	=====

(1) Includes services relating to audits of the annual consolidated financial statements and management's assessment of internal controls over financial reporting included in our Annual Report on Form 10-K, the review of interim financial information included in our quarterly reports on Form 10-Q and the audit of internal controls over financial reporting.

All fees described above under Audit-Related Fees, Tax Fees and All Other Fees were approved by our Audit Committee or by the chairman of our Audit Committee.

**All Other Fees**

There were no fees billed by our independent registered public accounting firm during the years ended December 31, 2004 and 2003 for products and services, other than the services rendered in connection with the audits of the annual consolidated financial statements and management's assessment of internal controls over financial reporting included in our Annual Report on Form 10-K, the review of interim financial information included in our

quarterly reports on Form 10-Q and services primarily related to consultation on tax planning matters.

### **Relationship with Independent Registered Public Accounting Firm**

In accordance with policies adopted by our Audit Committee, all non-audit related services to be performed by our independent registered public accounting firm must be approved in advance by our Audit Committee or by the chairman of our Audit Committee. However, no pre-approval is required with respect to the provision of a non-audit service if (i) the aggregate amount of all non-audit services constitutes not more than 5% of the total amount of revenues we have provided to the independent registered public accounting firm during the fiscal year in which the non-audit services are provided; (ii) we did not recognize such services at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of our Audit Committee and approved prior to the completion of the audit by our Audit Committee or the chairman of our Audit Committee.

### **THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR 2005.**

### **ITEM 3. OTHER MATTERS**

As of the date of this proxy statement, we know of no business that will be presented for consideration at the Annual Meeting other than the items referred to above. Proxies in the enclosed form will be voted in respect of any other business that is properly brought before the Annual Meeting in accordance with the judgment of the person or persons voting the proxies.

### **STOCKHOLDER PROPOSALS FOR THE 2006 ANNUAL MEETING**

Any proposal of a stockholder intended to be presented at our 2006 Annual Meeting of Stockholders must be received by our Secretary by March 1, 2006, for inclusion in our proxy, notice of meeting and proxy statement relating to the 2006 Annual Meeting.

### **FINANCIAL REPORTS**

Stockholders who wish to receive our Quarterly Reports on Form 10-Q and to be included on our mailing list may call (609) 452-8900 (between 9 a.m. and 5 p.m. Eastern Time) or write to 211 College Road East, Princeton, New Jersey 08540 Attention: Investor Relations.

### **OTHER INFORMATION**

Stockholders are invited to visit our internet website at [www.interpool.com](http://www.interpool.com) for information throughout the year and links to Edgar filings.

By Order of the Board of Directors

---

Martin Tuchman  
Chairman/Chief Executive Officer

**INTERPOOL, INC.  
211 COLLEGE ROAD EAST  
PRINCETON, NEW JERSEY 08540**

**PROXY Annual Meeting of Stockholders December 15, 2005  
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS.**

The undersigned hereby appoints Martin Tuchman and Arthur L. Burns as Proxies, each with the power to appoint his substitute, and hereby authorizes each of them to represent and to vote, as designated below, all the shares of common stock of Interpool, Inc. held of record by the undersigned on October 24, 2005, at the Annual Meeting of Stockholders to be held on December 15, 2005 or any adjournment thereof.

- |    |                        |  |                           |
|----|------------------------|--|---------------------------|
| 1. | ELECTION OF DIRECTORS: | <b>FOR</b> all nominees listed below<br>(except as marked to the contrary below) to vote for all nominees listed below | <b>WITHHOLD AUTHORITY</b> |
|----|------------------------|--|---------------------------|

**(INSTRUCTION: To withhold authority to vote for any individual nominee, strike a line through the nominee's name in the list below.)**

Martin Tuchman, Arthur L. Burns, Peter D. Halstead

2. Proposal to ratify the appointment of KPMG LLP as the company's Independent Public accounting firm of the company for the fiscal year ending December 31, 2005.
3. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournment.

(Continued and to be signed on Reverse Side)

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED IN FAVOR OF ALL NOMINEES LISTED FOR ELECTION AS DIRECTORS.

Please sign exactly as name appears below. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

**PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY IN THE ENCLOSED ENVELOPE.**

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature, if held jointly