

TAL International Group, Inc.
Form 10-K/A
May 05, 2016

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

FORM 10-K/A

Amendment No. 2

✓ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For The Fiscal Year Ended December 31, 2015

Or

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

For the Transition Period from _____ to _____
Commission file number- 001-32638

TAL International Group, Inc.

(Exact name of registrant as specified in the charter)

Delaware 20-1796526
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

100 Manhattanville Road, Purchase, New York 10577-2135
(Address of principal executive office) (Zip Code)

(914) 251-9000

(Registrant's telephone number including area code)

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

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

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

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

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

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

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

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

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

Non-accelerated filer ○

Edgar Filing: TAL International Group, Inc. - Form 10-K/A

Large Accelerated
Filer

Accelerated
Filer

Smaller reporting
company

(Do not check if a smaller reporting
company)

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

As of June 30, 2015, the last business day of the registrant's most recently completed second quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$1,031.8 million.

The number of outstanding shares of the registrant's common stock, par value \$0.001 per share, as of May 4, 2016 was 33,395,291.

Table of Contents

Table of Contents

Page No.

PART II

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations 4

PART IV

Item 15. Exhibits and Financial Statement Schedules 29

Signatures 34

2

Table of Contents

EXPLANATORY NOTE

This Amendment No. 2 on Form 10-K/A (this "Amendment No. 2") amends the Annual Report on Form 10-K and Amendment No. 1 on Form 10-K/A ("Amendment No. 1") of TAL International Group, Inc. (the "Company") for the fiscal year ended December 31, 2015, which the Company originally filed with the Securities and Exchange Commission (the "SEC") on February 29, 2016 (the "Original Filing") and amended on April 22, 2016 (Amendment No. 1). The Company is filing this Amendment No. 2 to amend Part II, Item 7 of the Original Filing and Amendment No. 1, specifically to expand disclosures in Critical Accounting Policies related to Leasing Equipment and Goodwill. Part IV of the Original Filing has been amended to contain currently dated certifications as required by Rules 12b-15, 15d-14(a), and 15d-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with respect to this Amendment No. 2.

This Amendment No. 2 speaks as of the filing date of the Original Filing and reflects only the changes to the cover page, Critical Accounting Policies, Leasing Equipment, and Goodwill in Part II, Item 7. No other information included in the Original Filing or Amendment No. 1, including the information set forth in Part I, Part II except as noted and Part IV has been modified or updated in any way. The Company has made no attempt in this Amendment No. 2 to modify or update the disclosures presented in the Original Filing or Amendment No. 1 other than as noted above. Also, this Amendment No. 2 does not reflect events occurring after the filing of the Original Filing or Amendment No. 1. Accordingly this Amendment No. 2 should be read in conjunction with Original Filing and Amendment No. 1.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

Table of Contents

PART II

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

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

Our Company

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

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

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

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

Operations

Our consolidated operations include the acquisition, leasing, re-leasing and subsequent sale of multiple types of intermodal containers and chassis. As of December 31, 2015, our total fleet consisted of 1,531,387 containers and chassis, representing 2,512,667 twenty-foot equivalent units (TEU). We have an extensive global presence, offering leasing services through 17 offices in 11 countries and approximately 230 third party container depot facilities in approximately 40 countries as of December 31, 2015. Our customers are among the largest shipping lines in the world. For the year ended December 31, 2015, our twenty largest customers accounted for 82% of our leasing revenues, our five largest customers accounted for 55% of our leasing revenues, and our largest customer, CMA CGM, accounted for 16% of our leasing revenues. NYK Line accounted for 12% of our leasing revenues in 2015.

Table of Contents

The following tables provide the composition of our equipment fleet (owned and managed) as of the dates indicated (in units, TEU and cost-equivalent units, or "CEU"):

	Equipment Fleet in Units (1)			Equipment Fleet in TEU(1)		
	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2015	December 31, 2014	December 31, 2013
Dry	1,351,170	1,189,707	1,105,433	2,190,940	1,928,482	1,790,975
Refrigerated	70,505	65,010	64,030	134,204	123,342	122,579
Special	56,118	56,180	56,761	102,081	102,065	101,954
Tank	11,243	9,282	8,100	11,243	9,282	8,100
Chassis	21,216	19,116	13,724	38,210	33,877	24,505
Equipment leasing fleet	1,510,252	1,339,295	1,248,048	2,476,678	2,197,048	2,048,113
Equipment trading fleet	21,135	32,448	40,374	35,989	52,571	65,102
Total	1,531,387	1,371,743	1,288,422	2,512,667	2,249,619	2,113,215
	Equipment Fleet in CEU(1)					
	December 31, 2015	December 31, 2014	December 31, 2013			
Operating leases	2,801,607	2,475,518	2,290,636			
Finance leases	197,225	197,537	211,365			
Equipment trading fleet	107,079	105,229	138,742			
Total	3,105,911	2,778,284	2,640,743			

(1) As of December 31, 2015, the Company had 1.0%, 1.0%, and 0.7% of managed equipment in units, TEU, and CEU, respectively.

In the equipment fleet tables above, we have included total fleet count information based on CEU. CEU is a ratio used to convert the actual number of containers in our fleet to a figure based on the relative purchase prices of our various equipment types to that of a 20 foot dry container. For example, the CEU ratio for a 40 foot standard height dry container is 1.6, and a 40 foot high cube refrigerated container is 10.0. The CEU ratios used in this calculation are from our debt agreements and may differ slightly from CEU ratios used by others in the industry.

We lease five types of equipment: (1) dry freight containers, which are used for general cargo such as manufactured component parts, consumer staples, electronics and apparel, (2) refrigerated containers, which are used for perishable items such as fresh and frozen foods, (3) special containers, which are used for heavy and over-sized cargo such as marble slabs, building products and machinery, (4) tank containers, which are used to transport bulk liquid products such as chemicals, and (5) chassis, which are used for the transportation of containers domestically. Our in-house equipment sales group manages the sale process for our used containers and chassis from our equipment leasing fleet and buys and sells used and new containers and chassis acquired from third parties.

Table of Contents

The percentage of our equipment fleet by equipment type as of December 31, 2015 and the percentage of our leasing revenues by equipment type for the year ended December 31, 2015 are as follows:

Equipment Type	Percent of total fleet in units	Percent of total fleet in CEU	Percent of leasing revenues
Dry	88.2 %	61.6 %	65.4 %
Refrigerated	4.6	22.1	19.8
Special	3.7	4.4	6.7
Tank	0.7	5.8	3.4
Chassis	1.4	2.7	3.1
Equipment leasing fleet	98.6	96.6	98.4
Equipment trading fleet	1.4	3.4	1.6
Total	100.0%	100.0%	100.0 %

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

Lease Portfolio	December 31, 2015	December 31, 2014	December 31, 2013
Long-term leases	68.7 %	68.9 %	68.0 %
Finance leases	7.7	8.0	9.2
Service leases	15.7	17.7	18.0
Expired long-term leases (units remaining on-hire)	7.9	5.4	4.8
Total	100.0 %	100.0 %	100.0 %

As of December 31, 2015, 2014, and 2013, our long-term and finance leases combined had average remaining contractual term of approximately 42 months, 41 months, and 44 months, respectively, assuming no leases are renewed.

Table of Contents

Operating Performance

Our profitability is primarily determined by the extent to which our leasing and other revenues exceed our ownership, operating and administrative expenses. Our profitability is also impacted by the gains or losses that we realize on the sale of our used equipment and the net sales margins on our equipment trading activities.

Our leasing revenues are primarily driven by the size of our owned fleet, our equipment utilization and the average lease rates in our lease portfolio. Our leasing revenues also include ancillary fees driven by container pick-up and drop-off volumes. Leasing revenues for the year ended December 31, 2015 increased 2.4% from 2014.

Fleet size. As of December 31, 2015, our owned fleet included 3,082,839 CEU, an increase of 12.0% from December 31, 2014. The increase in our owned fleet size in 2015 was primarily due to our purchases of new containers and the completion of several large sale-leaseback transactions. In 2015, we invested approximately \$625 million in our owned fleet, purchasing approximately 138,000 TEU of new containers and approximately 266,000 TEU of used containers through sale-leaseback transactions. Most of TAL's new container purchases were made in the first few months of the year, and we completed several large sale-leaseback transactions throughout the year. In general, market forecasters had expected global containerized trade growth to be in the range of 5-6% in 2015, and the initial expectation for solid trade growth supported leasing demand early in the year. However, global containerized trade growth has been less than expected this year, and we did not benefit from a traditional summer peak season for dry containers. Container pick-ups on our early lease commitments have proceeded slowly, and our investments in new containers have been limited during the second half of the year.

Utilization. Our average utilization was 96.0% during 2015, a decrease from 97.6% in 2014, and our ending utilization was 93.0%, down from 98.1% at the end of 2014. Weaker than expected trade growth in 2015 has led to increased drop-off volumes, decreased pick-up volumes and lower utilization. Drop-off volumes in our sale-leaseback portfolio have been particularly high since these leases are generally structured to provide maximum redelivery flexibility. We expect our utilization will continue to trend down during the first quarter of 2016 as the first quarter typically represents the weakest season for dry containers. However, our utilization remains at a high level and continues to be supported by the high percentage of our units that are on-hire to customers on long-term or finance leases. New container production has also been limited since the middle of 2015, and we expect that our utilization will rebound in 2016 if trade growth is at least moderately positive.

The following tables set forth our equipment fleet utilization (1) for the periods indicated below:

Average Utilization	Year Ended December 31,	Quarter Ended			
		December 31,	September 30,	June 30,	March 31,
2015	96.0%	93.7%	95.8%	97.1%	97.9%
2014	97.6%	98.1%	97.9%	97.3%	97.1%
2013	97.4%	97.0%	97.3%	97.5%	97.7%
Ending Utilization	December 31,	Quarter Ended			
		September 30,	June 30,	March 31,	
2015	93.0%	94.7%	96.6%	97.7%	
2014	98.1%	98.1%	97.7%	96.9%	
2013	97.2%	97.0%	97.5%	97.6%	

(1) Utilization is computed by dividing our total units on lease (in CEU) by the total units in our fleet (in CEU) excluding new units not yet leased and off-hire units designated for sale.

Table of Contents

Average lease rates. Average lease rates for our dry container product line decreased by 6.4% in 2015 compared to 2014. New container prices have decreased significantly over the last several years and this decrease accelerated in 2015 due to a significant drop in steel prices in China. Very low long-term interest rates and aggressive competition for new leasing transactions has combined with falling container prices to push market lease rates to historical low levels and market lease rates for dry containers are currently well below our portfolio average. Low market lease rates negatively impact our overall average lease rates as we add new containers to our fleet and as leases covering existing containers expire and are re-priced. If market lease rates remain near their current low level, we expect the decrease in our average dry container lease rates will accelerate in 2016 and 2017 due to the large number of leases with high lease rates that are scheduled to expire in those years.

Average lease rates for refrigerated containers decreased by 3.0% in 2015 compared to 2014. For several years our average lease rates for refrigerated containers have been negatively impacted by the addition of new refrigerated containers placed on lease at rates lower than our portfolio average. The cost of refrigerated containers has trended down over the last few years, which has led to lower market lease rates. Lease rates for new refrigerated containers are also being negatively impacted by aggressive pricing from new entrants seeking to build market share.

The average lease rates for special containers decreased by 0.7% in 2015 compared to 2014. This decrease is mainly the result of certain lease renegotiations.

Equipment disposals. During 2015, we recognized a \$13.6 million loss on the sale of our used containers compared to a gain of \$7.0 million in 2014. This decrease is primarily due to lower average sale prices. Average used container selling prices in 2015 decreased approximately 19% from our average prices in 2014 due to the impact of lower new container prices and increased disposal volumes by leasing companies and shipping lines in response to the weaker containerized trade volumes.

Our disposal losses in 2015 included impairment charges taken against our inventory of containers held for sale. We regularly assess the market value of our containers held for sale and mark the containers to the lower of cost or market. The decrease in container prices during 2015 resulted in impairment losses of \$14.0 million in 2015 compared to impairment losses of \$4.3 million in 2014 for these assets. The size of the impairment losses was driven by an increase in the number of containers held for sale. Lower demand and higher drop off volumes has resulted in the sales inventory growing from approximately 22,200 units at the end of 2014 to approximately 50,100 units at the end of 2015.

Equipment ownership expenses. Our ownership expenses, which consist of depreciation and interest expense, increased by \$26.7 million or 8.0% in 2015 as compared to 2014. There was a one-time \$1.3 million charge to interest expense in 2015 related to an early buyout of equipment financed under capital leases. Excluding this charge, ownership costs increased 7.6% from 2014, which is generally in line with the 7.2% growth in the average net book value of our revenue earning assets.

Credit performance. We recorded a \$0.1 million provision for doubtful accounts during 2015, compared to a provision of \$0.2 million in 2014. While our credit performance during 2015 was strong, our overall concern about credit risk remains heightened due to the difficult market conditions facing our customers. Many of the major shipping lines have reported modest or negative profitability over the last several years due to persistent excess vessel capacity and weak freight rates. Several shipping lines are also currently undertaking significant financial restructurings due to high current financial leverage and ongoing sizable losses. In addition, it is anticipated that the volume of new vessels entering service over the next several years will cause the global container vessel fleet to grow at a higher rate than global containerized trade. As a result, we expect freight rates and our customers' financial performance to remain under pressure.

Operating expenses. Our direct operating expenses were \$48.9 million in 2015, compared to \$33.1 million in 2014, an increase of 47.7%. This increase was driven by higher storage costs of \$7.6 million resulting from an increase in the number of idle units and higher redelivery and repair related costs of \$7.5 million due to a higher volume of redeliveries.

Administrative expenses. Our administrative expenses were \$51.2 million in 2015 compared to \$45.4 million in 2014, an increase of 12.8%. The increase was mainly due to \$7.5 million of transaction costs related to the pending merger with Triton.

Table of Contents

Dividends

We paid the following quarterly dividends during the years ended December 31, 2015 and 2014 on our issued and outstanding common stock:

Record Date	Payment Date	Aggregate Payment	Per Share Payment
December 2, 2015	December 23, 2015	\$14.8 Million	\$0.45
September 2, 2015	September 23, 2015	\$23.7 Million	\$0.72
June 3, 2015	June 24, 2015	\$23.7 Million	\$0.72
March 3, 2015	March 24, 2015	\$23.7 Million	\$0.72
December 2, 2014	December 23, 2014	\$23.8 Million	\$0.72
September 3, 2014	September 24, 2014	\$24.2 Million	\$0.72
June 3, 2014	June 24, 2014	\$24.2 Million	\$0.72
March 3, 2014	March 24, 2014	\$24.2 Million	\$0.72

Historically, most of our dividends have been treated as a non-taxable return of capital, and we believe that 100% of our dividends paid in 2015 will also be treated as a return of capital to TAL shareholders. The taxability of the dividends to TAL shareholders does not impact TAL's corporate tax position. Investors should consult with a tax adviser to determine the proper tax treatment of these distributions.

Merger

On November 9, 2015, TAL and Triton announced that they have entered into a definitive agreement under which the companies will combine in an all-stock merger. Under the terms of the Transaction Agreement, TAL and Triton will combine under a newly-formed holding company, Triton International Limited ("Holdco"), which will be domiciled in Bermuda and is expected to be listed on the New York Stock Exchange. TAL International shareholders will receive one common share of Holdco for each share of TAL International stock owned. TAL International shareholders will also receive a special dividend of \$0.54 per share upon closing of the transaction. The transaction is subject to the approval of TAL's shareholders. A special meeting is anticipated to be held in the second quarter of 2016.

Treasury Stock & Stock Repurchase Program

During 2015, TAL repurchased 81,915 shares at an average price of \$41.40, and in 2014, TAL repurchased 818,085 shares at an average price of \$42.01. As part of the joint announcement of the TAL and Triton transaction on November 9, 2015, a share repurchase program of up to \$250 million was announced, which supplants all prior stock repurchase programs, and is expected to be initiated upon the close of the transaction.

Table of Contents

Results of Operations

The following table summarizes our results of operations for the years ended December 31, 2015, 2014, and 2013 (in thousands of dollars):

	Year Ended December 31,		
	2015	2014	2013
Leasing revenues:			
Operating leases	\$591,665	\$573,778	\$552,640
Finance leases	15,192	18,355	14,728
Other revenues	1,147	1,873	2,485
Total leasing revenues	608,004	594,006	569,853
Equipment trading revenues	62,195	56,436	73,004
Equipment trading expenses	(58,001)	(49,246)	(62,726)
Trading margin	4,194	7,190	10,278
Net (loss) gain on sale of leasing equipment	(13,646)	6,987	26,751
Operating expenses:			
Depreciation and amortization	242,538	224,753	205,073
Direct operating expenses	48,902	33,076	27,142
Administrative expenses	51,154	45,399	44,197
Provision for doubtful accounts	133	212	2,827
Total operating expenses	342,727	303,440	279,239
Operating income	255,825	304,743	327,643
Other expenses:			
Interest and debt expense	118,280	109,265	111,725
Write-off of deferred financing costs	895	5,192	4,000
Net loss (gain) on interest rate swaps	205	780	(8,947)
Total other expenses	119,380	115,237	106,778
Income before income taxes	136,445	189,506	220,865
Income tax expense	48,233	65,461	77,699
Net income	\$88,212	\$124,045	\$143,166

Table of Contents

Comparison of Year Ended December 31, 2015 to Year Ended December 31, 2014

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

	Year Ended December 31,	
	2015	2014
	(in thousands)	
Leasing revenues:		
Operating lease revenues:		
Per diem revenue	\$553,155	\$545,561
Fee and ancillary lease revenue	38,510	28,217
Total operating lease revenue	591,665	573,778
Finance lease revenue	15,192	18,355
Other revenues	1,147	1,873
Total leasing revenues	\$608,004	\$594,006

Total leasing revenues were \$608.0 million in 2015, compared to \$594.0 million in 2014, an increase of \$14.0 million, or 2.4%.

Per diem revenue increased by \$7.6 million, or 1.4%, compared to 2014. The primary reasons for this increase are as follows:

- \$31.9 million increase due to an increase of approximately 149,700 CEU in the average number of units on-hire under operating leases; partially offset by a

- \$24.3 million decrease due to a 5.3% decrease in average CEU per diem rates.

Fee and ancillary lease revenue increased by \$10.3 million in 2015, compared to 2014 primarily due to a 95% increase in drop-off volumes.

Finance lease revenue decreased by \$3.2 million in 2015, compared to 2014 due to a decrease in the average size of our finance lease portfolio and a decrease in the average interest rate.

Table of Contents

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

Year Ended
December 31,
2015 2014
(in thousands)

Equipment trading revenues	\$62,195	\$56,436
Equipment trading expenses	(58,001)	(49,246)
Equipment trading margin	\$4,194	\$7,190

The equipment trading margin was \$4.2 million in 2015 compared to \$7.2 million in 2014, a decrease of \$3.0 million. The trading margin decreased \$3.4 million due to lower per unit margins on equipment sold partially offset by an increase of \$0.4 million due to an increase in sales volume.

Net (loss) gain on sale of leasing equipment. Loss on sale of equipment was \$13.6 million in 2015 compared to a gain on sale of equipment of \$7.0 million in 2014, a decrease of \$20.6 million. The decrease in sales results was mainly due to a 19% decrease in used dry container selling prices.

Depreciation and amortization. Depreciation and amortization was \$242.5 million in 2015, compared to \$224.8 million in 2014, an increase of \$17.7 million or 7.9%. Depreciation expense increased by \$24.1 million due to the net increase in the size of our depreciable fleet, partially offset by a decrease of \$6.4 million due to equipment becoming fully depreciated.

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

Direct operating expenses were \$48.9 million in 2015, compared to \$33.1 million in 2014, an increase of \$15.8 million. This increase was driven by higher storage costs of \$7.6 million resulting from an increase in the number of idle units, and higher redelivery and repair related costs of \$7.5 million due to a higher volume of redeliveries.

Administrative expenses. Administrative expenses were \$51.2 million in 2015 compared to \$45.4 million in 2014, an increase of \$5.8 million or 12.8%. This increase was mainly due to an increase in transaction costs of \$7.5 million related to the pending merger with Triton.

Provision for doubtful accounts. Our provision for doubtful accounts was \$0.1 million in 2015 compared to a provision of \$0.2 million in 2014.

Interest and debt expense. Interest and debt expense was \$118.3 million in 2015, compared to \$109.3 million in 2014, an increase of \$9.0 million or 8.2%. Interest and debt expense increased \$9.0 million due to a higher average debt balance of \$3,158.2 million in 2015, compared to \$2,916.9 million in 2014. Interest and debt expense also increased \$1.3 million in 2015 due to an early buyout on certain capital lease obligations. This increase was partially offset by a decrease of \$1.3 million due to a lower average effective interest rate of 3.65% in 2015 compared to 3.69% in 2014.

Table of Contents

Net loss on interest rate swaps. Net loss on interest rate swaps was \$0.2 million in 2015, compared to a loss of \$0.8 million in 2014. While the large majority of our interest rate swap agreements have been designated as hedges and generally do not impact the income statement as their market value changes, a small portion of our interest rate swaps are not designated as hedges and thus are subject to revaluation. The fair value of these non-designated interest rate swap agreements decreased during 2015 due to a decrease in long-term interest rates. Under the majority of our interest rate swap agreements, we make interest payments based on fixed interest rates and receive payments based on the applicable prevailing variable interest rate. As long-term interest rates decreased during 2015, the current market rate on interest rate swap agreements with similar terms decreased relative to our existing interest rate swap agreements, which caused the fair value of our existing interest rate swap agreements to decrease.

Income tax expense. Income tax expense was \$48.2 million in 2015, compared to \$65.5 million in 2014. The effective tax rate was 35.3% in 2015 and 34.5% in 2014. Our effective tax rate in 2014 includes changes in state apportionment factors for several states that required an adjustment to the deferred tax balance.

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

Comparison of Year Ended December 31, 2014 to Year Ended December 31, 2013

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

	Year Ended	
	December 31,	
	2014	2013
	(in thousands)	

Leasing revenues:

Operating lease revenues:

Per diem revenue	\$545,561	\$528,499
Fee and ancillary lease revenue	28,217	24,141
Total operating lease revenue	573,778	552,640
Finance lease revenue	18,355	14,728
Other revenues	1,873	2,485
Total leasing revenues	\$594,006	\$569,853

Total leasing revenues were \$594.0 million in 2014, compared to \$569.9 million in 2013, an increase of \$24.1 million, or 4.2%.

Per diem revenue increased by \$17.1 million, or 3.2%, compared to 2013. The primary reasons for this increase are as follows:

\$37.6 million increase due to an increase of approximately 156,300 CEU in the average number of units on-hire under operating leases; partially offset by a

\$20.5 million decrease due a 4.5% decrease in lower average CEU per diem rates.

Fee and ancillary lease revenue increased by \$4.1 million in 2014, compared to 2013 primarily due to a \$3.2 million increase in reimbursable costs and an increase of \$1.1 million in fee revenue due to higher pick-up and drop-off volumes.

Finance lease revenue increased by \$3.6 million in 2014, compared to 2013 due to an increase in the average size of our finance lease portfolio, partially offset by a decrease in the average interest rate.

Table of Contents

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

Year Ended
December 31,
2014 2013
(in thousands)

Equipment trading revenues \$56,436 \$73,004

Equipment trading expenses (49,246) (62,726)

Equipment trading margin \$7,190 \$10,278

The equipment trading margin was \$7.2 million in 2014 compared to \$10.3 million in 2013, a decrease of \$3.1 million. The trading margin decreased \$2.0 million due to lower per unit margins on equipment sold and decreased by \$0.9 million due to lower sales volume.

Net gain on sale of leasing equipment. Gain on sale of equipment was \$7.0 million in 2014 compared to \$26.8 million in 2013, a decrease of \$19.8 million. The primary reasons for this decrease are as follows:

\$20.1 million decrease due to a decrease of approximately 23% in used dry container selling prices;

\$2.5 million decrease due to larger gains in 2013 related to units declared lost by one of our customers, which was not repeated in 2014, partially offset by a

\$2.6 million increase due to an increase in sales volume.

Depreciation and amortization. Depreciation and amortization was \$224.8 million in 2014, compared to \$205.1 million in 2013, an increase of \$19.7 million or 9.6%. Depreciation expense increased by \$23.9 million due to the net increase in the size of our depreciable fleet, partially offset by a decrease of \$4.2 million due to equipment becoming fully depreciated.

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

Direct operating expenses were \$33.1 million in 2014, compared to \$27.1 million in 2013, an increase of \$6.0 million primarily driven by the following:

\$1.8 million increase in repair expense due to larger drop-off volume of dry containers;

\$1.8 million increase in operating, handling and repositioning expenses resulting from a larger volume of pick-up and drop-off activity;

\$1.6 million increase in storage costs due to an increase in the number of idle units, mainly an increase in the number of containers held for sale; and a

\$0.6 million increase in survey costs due to increased procurement activity.

Administrative expenses. Administrative expenses were \$45.4 million in 2014 compared to \$44.2 million in 2013, an increase of \$1.2 million or 2.7%. This increase was mainly due to increased employment costs and greater foreign exchange losses on Euro and GBP denominated assets.

Provision for doubtful accounts. Our provision for doubtful accounts was \$0.2 million in 2014 compared to a provision of \$2.8 million in 2013. In 2013, we recorded a provision related to payment defaults and estimated recovery costs for several small regional shipping lines. We made no such provisions for defaults in 2014.

Interest and debt expense. Interest and debt expense was \$109.3 million in 2014, compared to \$111.7 million in 2013, a decrease of \$2.4 million or 2.1%. The decrease in interest and debt expense was mainly driven by a \$9.2 million decrease due to a lower average effective interest rate of 3.69% in 2014 compared to 4.01% in 2013. This was primarily offset by an increase of \$6.8 million due to a higher average debt balance of \$2,916.9 million in 2014, compared to \$2,750.1 million in 2013.

Table of Contents

Net loss (gain) on interest rate swaps. Net loss on interest rate swaps was \$0.8 million in 2014, compared to a gain of \$8.9 million in 2013. While the large majority of our interest rate swap agreements have been designated as hedges and generally do not impact the income statement as their market value changes, a small portion of our interest rate swaps are not designated as hedges and thus are subject to revaluation. The fair value of these non-designated interest rate swap agreements decreased during 2014 due to a decrease in long-term interest rates. Under the majority of our interest rate swap agreements, we make interest payments based on fixed interest rates and receive payments based on the applicable prevailing variable interest rate. As long-term interest rates decreased during 2014, the current market rate on interest rate swap agreements with similar terms decreased relative to our existing interest rate swap agreements, which caused the fair value of our existing interest rate swap agreements to decrease.

Income tax expense. Income tax expense was \$65.5 million in 2014, compared to \$77.7 million in 2013. The effective tax rate was 34.5% in 2014 and 35.2% in 2013. Our effective tax rate decreased due to changes in state apportionment factors for several states which lowered our state effective tax rate.

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

Business Segments

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

Equipment leasing

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

Equipment trading

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

Segment income before income taxes

The following table lists the income before income taxes for the Equipment leasing and Equipment trading segments for the periods indicated:

	Year Ended December 31,			% Change Between	
	2015	2014	2013	2015 and 2014	2014 and 2013
	(in thousands)				
Income before income taxes(1)					
Equipment leasing segment	\$128,259	\$180,356	\$198,210	(28.9)%	(9.0)%
Equipment trading segment	9,286	15,122	17,708	(38.6)%	(14.6)%
Total	\$137,545	\$195,478	\$215,918		

(1)Income before income taxes excludes net losses on interest rate swaps and the write-off of deferred financing costs. Equipment leasing income before income taxes. Income before income taxes for the Equipment leasing segment was \$128.3 million in 2015 compared to \$180.4 million in 2014, a decrease of \$52.1 million. This decrease was mainly due to the following:

- a \$20.6 million year over year decline on the sale of leasing equipment mainly driven by lower selling prices;

15

Table of Contents

an increase in direct operating expenses of \$16.0 million mainly due to higher storage costs resulting from an increase in the number of idle units and higher redelivery and repair related costs due to higher volume of redeliveries; Leasing margin (leasing revenues net of depreciation and amortization and interest and debt expense) decreased \$10.2 million mainly due to lower average per diem rates and an increase in our average debt balance. This decrease was partially offset by an increase in the fleet size and average number of units on hire; and

- an increase in administrative expenses of \$5.3 million mainly due to costs related to the pending merger.

Income before income taxes for the Equipment leasing segment was \$180.4 million in 2014 compared to \$198.2 million in 2013, a decrease of \$17.8 million. This decrease was mainly due to a decrease in the gain on the sale of leasing equipment of \$19.8 million mostly due to lower selling prices. In addition, direct operating expenses increased \$5.8 million. This decrease was partially offset by an increase in the leasing margin (leasing revenues net of depreciation and amortization and interest and debt expense) of \$6.5 million due to an increase in the fleet size and average number of units on-hire and a reduction in our average effective interest rate.

Equipment trading income before income taxes. Income before income taxes for the Equipment trading segment was \$9.3 million in 2015, compared to \$15.1 million in 2014, a decrease of \$5.8 million. This decrease was primarily due to a decline in the equipment trading margin due to lower per unit margins on equipment sold offset by higher sales volume. This decrease was also due to a decrease in the leasing margin.

Income before income taxes for the Equipment trading segment was \$15.1 million in 2014, compared to \$17.7 million in 2013, a decrease of \$2.6 million. This decrease was primarily due to a decline in the equipment trading margin due to lower per unit margins on equipment sold and lower sales volume.

Liquidity and Capital Resources

Our principal sources of liquidity are cash flows provided by operating activities, proceeds from the sale of our leasing equipment, principal payments on finance lease receivables and borrowings under our credit facilities. Our cash in-flows and borrowings are used to finance capital expenditures, meet debt service requirements and pay dividends. We continue to have sizable cash in-flows. For the year ended December 31, 2015, cash provided by operating activities, together with the proceeds from the sale of our leasing equipment and principal payments on our finance leases, was \$568.9 million. In addition, as of December 31, 2015 we had \$58.9 million of unrestricted cash and \$243.1 million of additional borrowing capacity under our current credit facilities (excluding deferred financing costs). As of December 31, 2015, major committed cash outflows in the next 12 months include \$346.4 million of scheduled principal payments on our existing debt facilities and \$87.0 million of committed but unpaid capital expenditures. We believe that cash provided by operating activities and existing cash, proceeds from the sale of our leasing equipment, principal payments on our finance lease receivables and availability under our borrowing facilities will be sufficient to meet our obligations over the next 12 months.

At December 31, 2015, our outstanding indebtedness was comprised of the following (amounts in millions):

	Current Amount Outstanding	Current Maximum Borrowing Level
Asset backed securitization (ABS) term notes	\$ 1,151.5	\$ 1,151.5
Term loan facilities	973.1	1,071.2
Asset backed warehouse facility	610.0	650.0
Revolving credit facilities	445.0	550.0
Capital lease obligations	62.1	62.1
Total Debt	3,241.7	3,484.8
Deferred financing costs	(25.2)) —
Debt, net of unamortized deferred financing costs	\$ 3,216.5	\$ 3,484.8

The maximum commitment levels depicted in the chart above may not reflect the actual availability under all of the credit facilities. Certain of these facilities are governed by borrowing bases that limit borrowing capacity to an established percentage of relevant assets.

Table of Contents

As of December 31, 2015, we had \$1,314.5 million of total debt outstanding on facilities with fixed interest rates. These fixed rate facilities are scheduled to mature between 2016 and 2024, and had a weighted average effective interest rate of 3.65% as of December 31, 2015.

As of December 31, 2015, we had \$1,927.2 million of total debt outstanding on facilities with interest rates based on floating rate indices (primarily LIBOR). These floating rate facilities are scheduled to mature between 2016 and 2021, and had a weighted average effective interest rate of 2.04% as of December 31, 2015. Including the impact of our interest rate swaps, the weighted average effective interest rate on our floating rate facilities was 2.96% as of December 31, 2015.

We economically hedge the risks associated with fluctuations in interest rates on a portion of our floating rate borrowings by entering into interest rate swap agreements that convert a portion of our floating rate debt to a fixed rate basis, thus reducing the impact of interest rate changes on future interest expense. As of December 31, 2015, we had interest rate swaps in place with a net notional amount of \$1,123.0 million to fix the floating interest rates on a portion of our floating rate debt obligations, with a weighted average fixed leg interest rate of 2.00% and a weighted average remaining term of 6.6 years.

As of December 31, 2015, the Company had a combined \$2,437.5 million of total debt on facilities with fixed interest rates or floating interest rates that have been synthetically fixed through interest rate swap contracts. This accounts for 75.2% of total debt. These facilities had a weighted average remaining term of 5.2 years.

Asset Backed Securitization Term Notes

Our Asset Backed Securitization ("ABS") facilities have been the largest funding source used to finance our existing container fleet and new container purchases. Under these facilities, our indirect wholly-owned subsidiaries issue asset backed notes. The issuance of asset backed notes is the primary business objective of those subsidiaries.

Our borrowings under the ABS facilities amortize in monthly installments. The borrowing capacity under the ABS facilities is determined by applying an advance rate against the sum of the net book values of designated eligible containers and accounts receivable for sold containers not aged more than 60 days plus 100% of restricted cash. Advance rates under the ABS facilities range from 82% to 87%. We are required to maintain restricted cash balances on deposit in designated bank accounts equal to five to nine months of interest expense depending on the type of facility.

Term Loan Facilities

We utilize our term loan facilities as an important funding source for the purchase of containers and other equipment. The term loan facilities amortize in monthly or quarterly installments.

The borrowing capacity under the term loan facilities is determined by applying an advance rate in the range of 80% to 90% against the net book values of designated eligible containers, which is determined under the terms of each facility.

Asset Backed Warehouse Facility

The asset backed warehouse facility had a maximum borrowing capacity of \$650 million as of December 31, 2015 (the maximum borrowing capacity increased to \$750 million on January 20, 2016). Under the amended facility effective as of October 10, 2014, funds are available on a revolving basis until October 10, 2017, after which if the facility is not refinanced, the notes will convert to term notes with a maturity date of October 10, 2021. We primarily use the proceeds of this facility to finance the acquisition of equipment.

The borrowing capacity under the asset backed warehouse facility is determined by applying the advance rate of 81% against the sum of the net book values of designated eligible containers and accounts receivable for sold containers not outstanding more than 60 days plus 100% of restricted cash. The Company is required to maintain restricted cash balances on deposit in a designated bank account equal to three months of interest expense.

Revolving Credit Facilities

We have two revolving credit facilities which have a maximum borrowing capacity of \$100 million and \$450 million and maturity dates of November 30, 2016 and March 12, 2018, respectively. These facilities generally provide for an advance rate against eligible assets defined by the terms of their respective agreements.

Capital Lease Obligations

We have entered into a series of lease transactions with various financial institutions to finance chassis and containers. Each lease is accounted for as a capital lease, with interest expense recognized on a level yield basis over the period preceding early purchase options, if any, which is generally five to ten years from the transaction date.

Deferred Financing Costs

Deferred financing costs represent the fees incurred in connection with the Company's debt obligations, and are amortized using the effective interest method or on a straight-line basis over the term of the related obligation, depending on the type of

Table of Contents

debt obligation to which they relate. Unamortized deferred financing costs are written off when the related debt obligations are refinanced or extinguished prior to maturity, and are determined to be an extinguishment of debt.

Debt Covenants

We are subject to certain financial covenants under our debt agreements. As of December 31, 2015, we were in compliance with all such covenants. Below are the primary financial covenants to which we are subject:

• Minimum Earnings Before Interest and Taxes ("Covenant EBIT") to Cash Interest Expense;

• Minimum Tangible Net Worth ("TNW"); and

• Maximum Indebtedness to TNW.

Non-GAAP Measures

We primarily rely on our results measured in accordance with generally accepted accounting principles ("GAAP") in evaluating our business. Covenant EBIT, Cash Interest Expense, TNW, and Indebtedness are non-GAAP financial measures defined in our debt agreements that are used to determine our compliance with certain covenants contained in our debt agreements and should not be used as a substitute for analysis of our results as reported under GAAP. However, we believe that the inclusion of this non-GAAP information provides additional information to investors regarding our debt covenant compliance.

Minimum Covenant EBIT to Cash Interest Expense

For the purpose of this covenant, Covenant EBIT is calculated based on the cumulative sum of our earnings for the last four quarters (excluding income taxes, interest expense, amortization, net gain or loss on interest rate swaps and certain non-cash charges). Cash Interest Expense is calculated based on interest expense adjusted to exclude interest income, amortization of deferred financing costs, and the difference between current and prior period interest expense accruals.

Minimum Covenant EBIT to Cash Interest Expense is calculated on a consolidated basis and for our wholly-owned special purpose entities ("SPEs"), whose primary activity is to issue asset backed notes. Covenant EBIT for each of our SPEs is calculated based on the net earnings generated by the assets pledged as collateral for the underlying debt issued. The actual Covenant EBIT to Cash Interest Expense ratio for each SPE may differ depending on the specific net earnings associated with those pledged assets. As of December 31, 2015, the minimum and actual consolidated Covenant EBIT to Cash Interest Expense ratio and Covenant EBIT to Cash Interest Expense ratio for each of the issuers of our debt facilities whose initial borrowing capacity was approximately \$200 million or greater were as follows:

Entity/Issuer	Minimum Covenant EBIT to Cash Interest Expense Ratio	Actual Covenant EBIT to Cash Interest Expense Ratio
Consolidated	1.10	2.36
TAL Advantage I, LLC	1.10	4.70
TAL Advantage III, LLC	1.30	2.59
TAL Advantage V, LLC	1.10	2.35*

*Reflects the weighted average for all series of notes issued by TAL Advantage V, LLC. Each series of notes must comply separately with this covenant, and as of December 31, 2015, each series is in compliance.

Minimum TNW and Maximum Indebtedness to TNW Covenants

We are required to meet consolidated Minimum TNW and Maximum Indebtedness to TNW covenants. For the purpose of calculating these covenants, all amounts are based on the consolidated balance sheet of TAL International Group, Inc. TNW is calculated as total tangible assets less total indebtedness, which includes equipment purchases payable and, in certain cases, the fair value of derivative instruments liability.

For the majority of our debt facilities, the Minimum TNW is calculated as \$321.4 million plus 50% of cumulative net income or loss since January 1, 2006, which as of December 31, 2015 was \$742.0 million. As of December 31, 2015, the actual Consolidated TNW for each of our SPEs and for the \$450 million revolving credit facility was \$1,092.6 million. As of December 31, 2015, the maximum and actual Indebtedness to TNW ratios for each of the issuers of our debt facilities whose

Table of Contents

initial borrowing capacity was approximately \$200 million or greater was as follows:

Entity/Issuer	Maximum Indebtedness to TNW Ratio	Actual Indebtedness to TNW Ratio
Consolidated	4.75	3.07
TAL Advantage I, LLC	4.75	3.01
TAL Advantage III, LLC	4.75	2.99
TAL Advantage V, LLC	4.75	2.99

As of December 31, 2015, our outstanding debt on facilities whose initial borrowing capacity was approximately \$200 million or greater was approximately \$2.8 billion. Outstanding debt on the remaining facilities of \$0.4 billion have various other debt covenants, all of which the Company is in compliance with as of December 31, 2015.

Failure to comply with these covenants could result in a default under the related credit agreements and/or could result in the acceleration of our outstanding debt if we were unable to obtain a waiver from the creditors.

Cash Flow

The following table sets forth certain cash flow information for the years ended December 31, 2015, 2014, and 2013 (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Net cash provided by operating activities	\$400,478	\$398,807	\$366,688
Cash flows from investing activities:			
Purchases of leasing equipment and investments in finance leases	\$(704,178)	\$(670,529)	\$(660,492)
Proceeds from sale of equipment, net of selling costs	125,525	165,990	140,724
Cash collections on finance lease receivables, net of income earned	42,860	47,607	39,470
Other	(101)	(253)	84
Net cash (used in) investing activities	\$(535,894)	\$(457,185)	\$(480,214)
Net cash provided by financing activities	\$115,191	\$68,635	\$116,558

Operating Activities

Net cash provided by operating activities increased by \$1.7 million to \$400.5 million in 2015, compared to \$398.8 million in 2014. The majority of this increase is comprised of the following:

- Earnings excluding non-cash expenses decreased by \$15.5 million;
- in 2014, we paid \$5.0 million to terminate certain interest rate swap agreements and replaced them with new interest rate swap contracts that have a longer duration. In 2015, we did not terminate any interest rate swap agreements;
- we had fewer net purchases of equipment bought for resale in 2015, for a net increase to cash provided by operating activities of \$1.8 million; and
- accounts payable and other accruals increased \$8.8 million mainly due to higher repair and storage costs from increased drop-off activity and lower utilization.

Net cash provided by operating activities increased by \$32.1 million to \$398.8 million in 2014, compared to \$366.7 million in 2013. The majority of this increase is comprised of the following:

- Earnings excluding non-cash expenses increased by \$19.8 million;
- in 2014, we paid \$5.0 million to terminate certain interest rate swap agreements and replaced them with new interest rate swap contracts that have a longer duration, while in 2013, we paid \$24.2 million for such terminations. This resulted in an increase in operating cash flows of \$19.2 million; and
- we had fewer net purchases of equipment bought for resale in 2014, for a net increase to cash provided by operating activities of \$4.5 million.

Table of Contents

•This increase in net cash provided by operating activities was partially offset by increases in our accounts receivable and customer deferred revenue which decreased operating cash flows by \$12.8 million compared to 2013. In addition, we received more cash in advance of amounts due in 2013 than in 2014.

Investing Activities

Net cash used in investing activities increased by \$78.7 million to \$535.9 million in 2015 compared to \$457.2 million in 2014. This increase was primarily due to an increase in the purchase of leasing equipment of \$33.6 million related to payments for equipment ordered at the end of 2014, but paid for in 2015. In addition, we had lower proceeds from the sale of equipment of \$40.5 million due to lower selling prices on equipment sold and a decrease in cash collections on finance lease receivables of \$4.7 million due to a smaller portfolio.

Net cash used in investing activities decreased by \$23.0 million to \$457.2 million in 2014 compared to \$480.2 million in 2013 primarily due to an increase in proceeds from the sale of equipment due to higher disposal volumes and an increase in principal payment on finance leases partially offset by an increase in purchases of leasing equipment.

Financing Activities

Net cash provided by financing activities increased by \$46.6 million to \$115.2 million in 2015 compared to \$68.6 million in 2014. This increase was primarily due to a decrease in purchases of treasury stock of \$29.9 million, a decrease in dividends paid of \$10.6 million, and a decrease of \$11.8 million of restricted cash requirements. This increase was partially offset by a decrease in net borrowings under our various debt facilities of \$6.2 million.

Net cash provided by financing activities decreased by \$48.0 million to \$68.6 million in 2014 compared to \$116.6 million in 2013. This decrease was primarily due to purchases of treasury stock of \$34.4 million, an increase in dividends paid of \$6.7 million, and a net increase in restricted cash of \$13.2 million in 2014 partially offset by an increase in net borrowings under our various debt facilities of \$9.2 million.

Table of Contents

Contractual Obligations

We are party to various operating and capital leases and are obligated to make payments related to our long-term borrowings. We are also obligated under various commercial commitments, including obligations to our equipment manufacturers. Our equipment manufacturer obligations are in the form of conventional accounts payable, and are satisfied by cash flows from operations and long-term financing activities.

The following table summarizes our contractual obligations and commercial commitments as of December 31, 2015:

Contractual Obligations:	Contractual Obligations by Period					
	Total	2016	2017	2018	2019	2020 and thereafter
	(dollars in millions)					
Principal debt obligations	\$3,179.9	\$319.1	\$294.3	\$751.6	\$527.7	\$1,287.2
Interest on debt obligations(1)	481.1	100.8	93.2	80.0	64.0	143.1
Capital lease obligations(2)	66.5	29.9	18.8	17.8	—	—
Operating leases (mainly facilities)	6.3	1.8	1.3	1.1	2.0	0.1
Purchase obligations:						
Equipment purchases payable	20.0	20.0	—	—	—	—
Equipment purchase commitments	67.0	67.0	—	—	—	—
Total contractual obligations	\$3,820.8	\$538.6	\$407.6	\$850.5	\$593.7	\$1,430.4

(1) Amounts include actual for fixed interest debt and estimated interest for floating rate debt based on December 31, 2015 rates and the net effect of our interest rate swaps.

(2) Amounts include interest.

Off-Balance Sheet Arrangements

As of December 31, 2015, we did not have any relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. We are, therefore, not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Table of Contents

Critical Accounting Policies

Our Consolidated Financial Statements have been prepared in conformity with United States generally accepted accounting principles, which require us to make estimates and assumptions that affect the amounts and disclosures reported in the Consolidated Financial Statements and accompanying notes. Our estimates are based on historical experience and currently available information. Actual results could differ from such estimates. The following paragraphs summarize our critical accounting policies. Additional accounting policies are discussed in the notes to our historical financial statements contained elsewhere in this Form 10-K.

Revenue Recognition

Operating Leases with Customers

We enter into long-term leases and service leases with ocean carriers, principally as lessor in operating leases, for marine cargo equipment. Long-term leases provide our customers with specified equipment for a specified term. Our leasing revenues are based upon the number of equipment units leased, the applicable per diem rate and the length of the lease. Long-term leases typically have initial contractual terms ranging from three to eight years. Revenues are recognized on a straight-line basis over the life of the respective lease. Advance billings are deferred and recognized in the period earned. Service leases do not specify the exact number of equipment units to be leased or the term that each unit will remain on-hire, but allow the lessee to pick-up and drop-off units at various locations specified in the lease agreement. Under a service lease, rental revenue is based on the number of equipment units on-hire for a given period. Revenue for customers considered to be non-performing is deferred and recognized when the amounts are received.

In accordance with the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification No. 605, Revenue Recognition ("ASC 605"), we recognize billings to customers for damages and certain other operating costs as leasing revenue as it is earned based on the terms of the contractual agreements with the customer. As principal, we are responsible for fulfillment of the services, supplier selection and service specifications, and have ultimate responsibility to pay the supplier for the services whether or not it collects the amount billed to the lessee.

Finance Leases with Customers

We enter into finance leases as lessor for some of the equipment in our fleet. The net investment in finance leases represents the receivables due from lessees, net of unearned income. Unearned income is recognized on a level yield basis over the lease term and is recorded as leasing revenue. Finance leases are usually long-term in nature, typically ranging for a period of four to eight years and typically include an option to purchase the equipment at the end of the lease term for an amount determined to be a bargain.

Equipment Trading Revenues and Expenses

Equipment trading revenues represent the proceeds from the sale of equipment purchased for resale and are recognized as units are sold and delivered to the customer. The related expenses represent the cost of equipment sold as well as other selling costs that are recognized as incurred and are reflected as equipment trading expenses in the consolidated statements of income.

Table of Contents

Leasing Equipment

In general, we purchase new equipment from equipment manufacturers for the purpose of leasing such equipment to customers. We also purchase used equipment with the intention of selling such equipment in one or more years from the date of purchase. Used units are typically purchased with an existing lease in place or were previously owned by one of our third party owner investors.

Leasing equipment is recorded at cost and depreciated to an estimated residual value on a straight-line basis over their estimated useful lives. The estimated useful lives and residual values of our leasing equipment are based on historical disposal experience and our expectations for future used container sale prices. We review our depreciation policies on a regular basis to determine whether changes have taken place that would suggest that a change in depreciation policies, useful lives of equipment or the assigned residual values is warranted.

During the fourth quarter of 2015, the Company assessed the estimates contained in its depreciation policy. To perform the assessment, the Company analyzed sales data from 2004 to 2015. The Company believes this 12 year historical period is the most appropriate as it is representative of the typical useful life of a container and reflects the cyclical nature of the global economic environment and more specifically the Company's industry. This period includes multiple business cycles, including two periods of weak trade growth (2006 and 2009) and two periods of strong container demand (2008, 2010 through 2012).

The table below shows the weighted average sales price of the Company's major equipment types from the period of 2004 to 2015.

2004 - 2015	Drys		Refrigerated	
			40	
	20	40	Foot	40 Foot
	Foot	Foot	High	High Cube
			Cube	

W. Avg. Sales Price \$1,037 \$1,312 \$1,600 \$ 4,008

The weighted average sales prices during the period from 2004 to 2015 were above our current residual value estimates. During the fourth quarter of 2015, the average sales prices for most equipment types were below the Company's residual value estimates used in its depreciation policy; however, selling prices have been above our residual value estimates for the large majority of quarters during the period from 2004 to 2015, including the period since our last residual value estimate change in 2012.

The average sales price and residual value of used containers for the major equipment types in the Company's fleet for the quarter ended December 31, 2015 are illustrated in the table below:

4th Quarter 2015	Drys		Refrigerated	
			40	
	20	40	Foot	40 Foot
	Foot	Foot	High	High Cube
			Cube	

W. Avg. Sales Price \$879 \$1,090 \$1,178 \$ 3,539

Residual Values 1,000 1,200 1,400 3,500

The Company has identified a high correlation between new container prices and sales prices by preparing regression analysis using historical data. This analysis enables the Company to estimate future disposal prices based on inputs of new container costs. The Company considers a reasonable estimate of future new container prices to be the historical average new container prices experienced over the last twelve years, which, as noted earlier, covers multiple business cycles including significant recessionary and expansionary periods.

The results of the regression analysis are as follows:

			40-Foot
		20-Foot	40-Foot
	Dry	Dry	High
			Cube
			Dry
Average new build price from 2004 to 2015	\$ 2,000	\$ 3,200	\$ 3,400

Implied residual / sales 1,032 1,268 1,467

The Company's long term historical disposal price trends and regression derived sale prices support the current residual estimates used in our depreciation policy.

The Company continues to monitor disposal prices for indicators of a deeper, more sustained market downturn, and if necessary, will adjust its estimates in its depreciation policy if there are indicators that the current weak market for containers will be sustained in the long-term.

Table of Contents

The estimated useful lives and residual values for the majority of our leasing equipment purchased new from the factory are as follows:

	Residual Values (\$)	Effective
	Useful Lives (Years)	October 1, 2012
Dry containers		
20 foot	13	\$ 1,000
40 foot	13	\$ 1,200
40 foot high cube	13	\$ 1,400
Refrigerated containers		
20 foot	12	\$ 2,500
40 foot high cube	12	\$ 3,500
Special containers		
40 foot flat rack	14	\$ 1,500
40 foot open top	14	\$ 2,300
Tank containers	20	\$ 3,000
Chassis	20	\$ 1,200

Depreciation on leasing equipment starts on the date of initial on-hire.

For leasing equipment acquired through sale-leaseback transactions, we often adjust our estimates for remaining useful life and residual values based on current conditions in the sale market for older containers and our expectations for how long the equipment will remain on-hire to the current lessee.

Costs incurred to place new equipment into service, including costs to transport the equipment to its initial on-hire location, are capitalized. We charge to expense inspection costs on new equipment and repair and maintenance costs that do not extend the lives of the assets at the time the costs are incurred, and include these costs in direct operating expenses.

If indicators of impairment are present, a determination is made as to whether the carrying value of our fleet exceeds its estimated future undiscounted cash flows. Leasing equipment is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recovered. During the latter half of 2015 several potential indicators of impairment were noted including:

- Significant decrease in market lease rates,
- A decrease in utilization,
- Large decrease in sales prices for used containers, and
- A large reduction in operating profitability.

These negative performance trends indicate that the carrying value of the company's leasing equipment may not be recoverable. Therefore, we performed an impairment assessment of our equipment leasing fleet as of December 31, 2015 by comparing the total expected undiscounted cash flows of each asset group to its carrying value. Asset groups were determined based on equipment types (dry containers, refrigerated containers, special containers, chassis and tanks).

Some of the significant estimates and assumptions used to determine future undiscounted cash flows are expected utilization, the remaining useful life, remaining on-hire period for expired fixed term and service leases, expected future lease rates and expected disposal prices of the equipment. We consider the assumptions on expected utilization and the remaining useful life to have the greatest impact on our estimate of future undiscounted cash flows. In performing the analysis we used assumptions reflecting the weak market conditions at December 31, 2015 and maintained these assumptions for the remaining life of the equipment fleet. These assumptions were well below the historical averages.

The material assumptions used in calculating each asset group's future cash flows are as follows:

- Utilization remained at the December 31, 2015 levels by equipment type (overall fleet utilization of 93%) for the remaining life of the fleet.

Remaining useful life was consistent with the useful life assumptions used in our depreciation policy.

24

Table of Contents

Based on historical experience units on hire under expired fixed term lease remain on existing lease for an additional twelve months and units on service leases with no set lease expiration date remain on-hire under existing lease terms for an additional thirty-two months.

- Containers are re-leased at market lease rates as of year-end (market rates at December 31, 2015 were approximately 40% below the Company's average portfolio lease rates at December 31, 2015).

All containers are sold at prices below the fourth quarter 2015 average sales prices. The following are the main sales price assumptions by equipment type:

Equipment Type	Sale Age (at end of year)	Disposal Proceeds (based on % of new equipment prices)
Dry containers (20 foot)	13 years old	\$ 728
Dry containers (40 foot)	13 years old	918
Dry containers (40 foot high cube)	13 years old	1,023
Refrigerated containers (40 foot high cube)	12 years old	3,568
Special containers (40 foot flat rack)	14 years old	1,558

The estimated undiscounted future cash flows calculated based on the material assumptions outlined exceeded the carrying value for the equipment leasing fleet by \$825 million in total. The following table details the results of the Company's impairment analysis by equipment type (in thousands):

Asset Group	Carrying Value	Excess Cash Flow Over Carrying Value	% Excess
Dry containers	\$2,749,884	\$204,989	7.5 %
Refrigerated containers	628,408	280,235	44.6 %
Special containers	202,577	136,031	67.2 %
Chassis	107,584	102,368	95.2 %
Tank containers	175,302	101,714	58 %
Total	\$3,863,755	\$825,337	21.4 %

In order to determine the sensitivity surrounding our assumptions, we further decreased utilization by 500 basis points, and also decreased sales prices further by 10%, noting that the non-impairment conclusion remained valid.

All of the key assumptions used in the impairment testing are subject to significant uncertainty driven by factors often out of our control. These factors include but are not limited to future rate of global trade growth, decisions by our customers about the use of leasing as an alternative for direct container purchases, and the length of time that customers keep our containers on-hire under our service leases or on term leases that have expired.

In addition to the fleet wide impact of the above factors, our different equipment types are impacted by other specific factors that are also subject to significant uncertainty and often out of our control. The most significant driver of future outcomes for our dry container fleet will likely be changes in future steel prices and its impact on new container prices, lease rates, and disposal prices. Our refrigerated containers face potential changes in refrigeration technology or changes in environmental regulations related to refrigerated gas which could affect future lease rates, useful lives, and disposal prices.

We will continue to monitor the performance of our container fleet and the key factors driving market conditions and re-assess the assumptions we use in the impairment testing if there are indicators of a deeper, more sustained market downturn that is expected for the long-term.

An allowance is recorded in the provision for doubtful accounts for equipment on lease to customers considered to be non-performing. The allowance is based on a percentage of the net book value of equipment on-hire to those customers that, based on historical experience, we believe will ultimately not be recovered.

Equipment Held for Sale

When leasing equipment is returned off lease, we make a determination of whether to repair and re-lease the equipment or sell the equipment. At the time we determine that equipment will be sold, we reclassify the appropriate amounts previously recorded as leasing equipment to equipment held for sale. In accordance with FASB Accounting Standards Codification No. 360, Property, Plant and Equipment ("ASC 360"), equipment held for sale is carried at the lower of its estimated fair value, based on current transactions, less costs to sell, or carrying value; depreciation on such assets is halted and disposals generally

Table of Contents

occur within 90 days. Subsequent changes to the fair value of those assets, either increases or decreases, are recorded as adjustments to the carrying value of the equipment held for sale; however, any such adjustments may not exceed the respective equipment's carrying value at the time it was initially classified as held for sale. Initial write downs of assets held for sale are recorded as an impairment charge and are included in net gain on sale of leasing equipment. Realized gains and losses resulting from the sale of equipment held for sale are recorded as net gain on sale of leasing equipment, and cash flows associated with the disposal of equipment held for sale are classified as cash flows from investing activities.

Equipment purchased for resale and included in the Equipment Trading Segment is reported as equipment held for sale when the time frame between when equipment is purchased and when it is sold is expected to be short, less than one year.

Allowance for Doubtful Accounts

Our allowance for doubtful accounts is provided based upon a review of the collectability of our receivables. This review is based on the risk profile of the receivables, credit quality indicators such as the level of past-due amounts, and economic conditions. Generally, we do not require collateral on accounts receivable balances. An account is considered past due when a payment has not been received in accordance with the contractual terms. Accounts are generally charged off after an analysis is completed which indicates that collection of the full principal balance is in doubt. Changes in economic conditions or other events may necessitate additions or deductions to the allowance for doubtful accounts. The allowance for doubtful accounts is intended to provide for losses inherent in the receivables, and requires the application of estimates and judgments as to the outcome of collection efforts and the realization of collateral, among other things. We believe our allowance for doubtful accounts is adequate to provide for credit losses inherent in existing receivables. The Company does not maintain a general reserve against the possibility of lost equipment and recovery expenses for customers currently not in default.

Income Taxes

We account for income taxes in accordance with FASB Accounting Standards Codification No. 740, Income Taxes ("ASC 740") using the asset and liability method, which requires recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between the tax basis and financial reporting basis of our assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. In assessing our ability to realize deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

If applicable, we accrue income tax liabilities for unrecognized tax benefits resulting from uncertain tax positions by evaluating whether the weight of available evidence indicates that it is more likely than not that the position will be sustained in an audit and measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. Potential interest and penalties associated with such uncertain tax positions are recorded as a component of income tax expense.

Deferred Financing Costs

Deferred financing costs represent the fees incurred in connection with our debt obligations, and are amortized using the effective interest method or on a straight-line basis over the term of the related obligation, depending on the type of debt obligation to which they relate. Unamortized deferred financing costs are written off when the related debt obligations are refinanced or extinguished prior to maturity, and are determined to be an extinguishment of debt.

Goodwill

We account for goodwill in accordance with FASB Accounting Standards Codification No. 350, Intangibles—Goodwill and Other ("ASC 350"). ASC 350 requires goodwill and other intangible assets with indefinite lives to be reviewed for impairment annually, or more frequently if circumstances indicate a possible impairment. In connection with the acquisition that occurred in 2004, we recorded \$71.9 million of goodwill. Effective July 1, 2013, the Company acquired the assets and business of Martec Leasing (a worldwide supplier of rolltrailers) where we recorded \$2.6 million of goodwill. TAL operates in one industry, intermodal transportation equipment, and has two reporting segments ("Equipment Leasing" and "Equipment Trading") under ASC 280. These reporting segments also qualify as reporting units for purposes of evaluating goodwill for impairment in that each segment meets the definition of a

business and meets the “market participants” standard of having a reasonable likelihood of the Company receiving an offer for purchase. The Company had previously allocated \$73.5 million to the Equipment Leasing reporting unit and \$1.0 million to the Equipment Trading reporting unit. We have elected to bypass the qualitative approach permitted under ASC 350 for testing goodwill for impairment, but may elect to perform the qualitative approach to test goodwill for impairment in future periods.

Prior to 2015, the Company had historically used the market approach as its primary valuation technique for its goodwill impairment analysis. Due to the significant excess fair value using the market approach, the Company concluded that goodwill was not impaired as of the 2014 assessment date and the further consideration of other valuation techniques, such as the income approach, would not result in a different conclusion.

For the Company’s annual goodwill impairment analysis as of the 2015 assessment date, it was concluded that due to the

Table of Contents

volatility in the overall economic environment, the use of multiple valuation techniques mentioned below provides an amount that represents fair value of the reporting units.

Under the market capitalization approach, we estimated the fair value of the reporting units by adding to our market capitalization a control premium. A control premium was applied to the market capitalization to reflect the premium that would be paid by an acquiring entity to obtain a controlling interest. The Company's calculation of market capitalization includes a premium of 24%, which represents the average premium obtained in a number of transactions within the transportation industry. Considering the recent volatility in its stock price, the Company utilized a range of dates to determine enterprise market capitalization. Specifically utilizing a three month average stock price for the period ended October 31, 2015 (\$16.79) with a 24% control premium resulted in an estimated market capitalization that was 1.2% higher than the carrying value.

The Company also utilized the income approach, specifically the discounted cash flow method. The discounted cash flow method resulted in an estimated fair value of approximately \$716.4 million, which was \$51.4 million, or 7.7%, higher than carrying value.

The key assumptions used in the cash flow projections were as follows:

- New container prices starting at market prices as of the assessment date and trending higher over a five year period to historical long term averages during the period 2004 to 2015.

- Lease rates starting at current market rates and increasing in relation to the forecasted increases in new container prices.

- Current utilization of 93% at the end of 2015 will begin to normalize to 96% over the next five years.

- Selling prices on the disposal of containers increase in relation to the forecasted increases in new container prices.

- A discount rate of 12.0% and a perpetual growth rate of 1.5%.

The above assumptions contemplated business, market and overall economic conditions.

Based on the results of this testing, the Company determined that the fair values of each of its reporting units exceeded their respective carrying amounts as of the annual assessment date as follows (\$ in millions):

Reporting Unit	Goodwill	Fair Value	Carrying Value	% Over Carrying Value
Equipment leasing	\$ 73.5	\$645.6	\$ 614.7	5.0 %
Equipment trading	1.0	70.8	50.3	40.8 %
Total	\$ 74.5	\$716.4	\$ 665.0	7.7 %

The assumptions utilized in estimating the fair value of the reporting units were determined based on average long term historical trends, incorporating multiple business cycles. These key assumptions are subject to significant uncertainty driven by factors often out of our control. These factors include but are not limited to future rate of global trade growth, decisions by our customers about the use of leasing as an alternative for direct container purchases, and the rate at which steel prices and new container prices increase from the current recessed market environment.

In addition to the above factors, the most significant driver of future outcomes for our equipment leasing reporting unit will likely be changes of future steel prices, refrigeration technology or environmental regulations and their impact on new container prices, lease rates, useful lives, and disposal prices.

Management also performed sensitivity analyses on the fair values resulting from the discounted cash flow valuation models utilizing more conservative assumptions that reflect reasonably likely future changes in the discount rates and perpetual growth rates in each of the reporting units. The discount rates were increased by 100 basis points with no impairment indicated. The perpetual growth rates were decreased by 100 basis points with no impairment indicated. The above sensitivity analyses, while useful, should not be used as a sole predictor of future potential impairment. A thorough analysis of all the facts and circumstances existing at that time would need to be performed to determine if recording an impairment loss would be appropriate.

As shown above, under both valuation techniques, the fair value exceeded the carrying value, the goodwill of the reporting units is considered not impaired; thus the second step of the impairment test was considered unnecessary. The Company weighted the fair values using the income approach as we believe that this approach is the most meaningful as it is how market participants would value our reporting units.

If the carrying value of the entity exceeds its fair value, then a second step would be performed that compares the implied fair value of goodwill with the carrying amount of goodwill. The determination of the implied fair value of goodwill would require management to compare the estimated fair value of the reporting units to the estimated fair value of the assets and

Table of Contents

liabilities of the reporting units. Any excess fair value represents the implied fair value of goodwill. To the extent that the carrying amount of goodwill exceeds its implied fair value, an impairment loss would be recorded.

As a final corroboration as to the identification of potential impairment under Step 1 of the goodwill impairment test, and in consideration of potential sources of contrary evidence, the Company also considered the implied fair value of the goodwill determined by assigning the fair values of the reporting units to all of the assets and liabilities of that units as if the reporting units had been acquired in a business combination. On November 9, 2015, TAL International Group Inc. (TAL) and Triton Container International Limited (Triton) entered into the transaction agreement providing for the combination of TAL and Triton under a new holding company. Triton has been treated as the acquirer in the mergers for accounting purposes. As such, the Company's assets and liabilities were estimated at their fair values. As shown in the Triton International Limited Amendment No. 1 to Form S-4 filed on February 5, 2016, the resulting effect was the fair value of the entity was approximately \$90.6 million, or 21.6% greater than the values assigned to the net identifiable assets of the Company.

Based on our annual review of goodwill, conducted in the fourth quarter of 2015, no impairment of goodwill existed. We will continue to monitor the performance of our reporting units and the key factors driving market conditions and re-assess the assumptions we use in the impairment testing if there are indicators of a deeper, more sustained market downturn that is expected to impact the long-term.

Table of Contents

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

(a)(1) Financial Statements. See Index to Financial Statements beginning on page F-1 on our Annual Report on Form 10-K, filed with the SEC on February 29, 2016, which are incorporated by reference herein.

(a)(2) Financial Statement Schedules. See Index to Financial Statements beginning on page F-1 on our Annual Report on Form 10-K, filed with the SEC on February 29, 2016. All other financial statement schedules have been omitted because they are not applicable or not required, or the information is included in the Consolidated Financial Statements or Notes thereto.

(a)(3) Exhibits. The following exhibits are filed (or incorporated by reference herein) as part of this Amendment No. 2.

Exhibit No.	Description
3.1	Second Amended and Restated Certificate of Incorporation of TAL International Group, Inc. (incorporated by reference from Exhibit 3.1 to TAL International Group, Inc.'s Form 10-K filed on March 20, 2006)
3.2	Amended and Restated Bylaws of TAL International Group, Inc. (incorporated by reference from Exhibit 3.1 to TAL International Group, Inc.'s Form 8-K filed on November 10, 2015)
4.1	Form of Common Stock Certificate (incorporated by reference from Exhibit 4.1 to Amendment No. 3 to TAL International Group, Inc.'s Form S-1 filed on October 5, 2005, file number 333-126317)
4.2	Amended and Restated Indenture dated as of April 12, 2006 by and between TAL Advantage I LLC and U. S. Bank National Association (incorporated by reference from Exhibit 10.35 to TAL International Group, Inc.'s Form 10-Q filed on May 12, 2006)
4.3	First Supplemental Indenture between TAL Advantage I LLC and U.S. Bank National Association dated June 26, 2007 to the Amended and Restated Indenture dated as of April 12, 2006 (incorporated by reference from Exhibit 10.58 to TAL International Group, Inc.'s Form 10-Q filed on August 8, 2008)
4.4	Second Supplemental Indenture between TAL Advantage I LLC and U.S. Bank National Association dated November 19, 2007 to the Amended and Restated Indenture dated as of April 12, 2006 (incorporated by reference from Exhibit 10.59 to TAL International Group, Inc.'s Form 10-Q filed on August 8, 2008)
4.5	Amended and Restated Series 2005-1 Supplement dated as of April 12, 2006 between Advantage I LLC and U. S. Bank National Association (incorporated by reference from Exhibit 10.40 to TAL International Group, Inc.'s Form 10-Q filed on May 12, 2006)
4.6	Amended and Restated Management Agreement dated as of April 12, 2006 by and between TAL International Container Corporation and TAL Advantage I LLC (incorporated by reference from Exhibit 10.36 to TAL International Group, Inc.'s Form 10-Q filed on May 12, 2006)
4.7	Amended and Restated Contribution and Sale Agreement dated as of April 12, 2006 by and between TAL International Container Corporation and TAL Advantage I LLC (incorporated by reference from Exhibit 10.37 to TAL International Group, Inc.'s Form 10-Q filed on May 12, 2006)
4.8	Amended and Restated Series 2005-1 Note Purchase Agreement dated as of April 7, 2006 by and between TAL Advantage I LLC, the Noteholders from time to time party thereto and the other financial institutions from time to time party thereto (incorporated by reference from Exhibit 10.41 to TAL International Group,

Table of Contents

- Series 2006-1 Supplement dated as of April 12, 2006 by and between TAL Advantage I LLC and U. S. Bank National Association (incorporated by reference from Exhibit 10.38 to TAL International Group, Inc.'s Form 10-Q filed on May 12, 2006)
- 4.9
- Series 2006-1 Note Purchase Agreement dated as of April 7, 2006 by and between TAL Advantage I LLC, TAL International Container Corporation, and Fortis Securities LLC and Credit Suisse Securities (USA) LLC (incorporated by reference from Exhibit 10.39 to TAL International Group, Inc.'s Form 10-Q filed on May 12, 2006)
- 4.10
- Intercreditor Agreement Dated April 12, 2006 by and among TAL International Container Corporation, TAL Advantage I LLC, U. S. Bank National Association and Fortis Capital Corp. (incorporated by reference from Exhibit 4.11 to TAL International Group, Inc.'s Form 10-K filed on March 3, 2009)
- 4.11
- Credit Agreement, dated as of July 31, 2006, by and among TAL International Container Corporation, Fortis Capital Corp. and the Lenders party thereto (incorporated by reference from Exhibit 10.43 to TAL International Group, Inc.'s Form 8-K filed on August 4, 2006)
- 4.12
- Amendment No. 1 dated July 13, 2007 to Credit Agreement, dated as of July 31, 2006, by and among TAL International Container Corporation, Fortis Capital Corp. and the Lenders party thereto (incorporated by reference from Exhibit 10.47 to TAL International Group, Inc.'s Form 8-K filed on July 17, 2007)
- 4.13
- Security Agreement, dated as of July 31, 2006, by and among TAL International Container Corporation and Fortis Capital Corp. (incorporated by reference from Exhibit 10.44 to TAL International Group, Inc.'s Form 8-K filed on August 4, 2006)
- 4.14
- Pledge Agreement, dated as of July 31, 2006, by and among TAL International Container Corporation and Fortis Capital Corp. (incorporated by reference from Exhibit 10.45 to TAL International Group, Inc.'s Form 8-K filed on August 4, 2006)
- 4.15
- Guaranty, dated as of July 31, 2006, made by TAL International Group, Inc. (incorporated by reference from Exhibit 10.46 to TAL International Group, Inc.'s Form 8-K filed on August 4, 2006)
- 4.16
- Third Supplemental Indenture between TAL Advantage I LLC and U.S. Bank National Association dated June 23, 2008 to the Amended and Restated Indenture dated as of April 12, 2006 (incorporated by reference from Exhibit 10.61 to TAL International Group, Inc.'s Form 10-Q filed on August 8, 2008)
- 4.17
- Management Agreement dated as of October 23, 2009 between TAL International Container Corporation and TAL Advantage III LLC (incorporated by reference from Exhibit 4.33 to TAL International Group, Inc.'s Form 10-K filed on March 1, 2010)
- 4.18
- Contribution and Sale Agreement dated as of October 23, 2009 between TAL International Container Corporation and TAL Advantage III LLC (incorporated by reference from Exhibit 4.34 to TAL International Group, Inc.'s Form 10-K filed on March 1, 2010)
- 4.19
- Amendment No. 1 dated as of July 16, 2010 to the Management Agreement dated as of October 23, 2009 by and between TAL Advantage III LLC and TAL International Container Corporation (incorporated by reference from Exhibit 4.54 to TAL International Group, Inc.'s Form 10-Q filed on July 30, 2010)
- 4.20
- 4.21

Edgar Filing: TAL International Group, Inc. - Form 10-K/A

Amended and Restated Indenture dated as of August 12, 2011 by and between TAL Advantage III LLC and Wells Fargo Bank, National Association (incorporated by reference from Exhibit 4.65 to TAL International Group Inc.'s Form 10-Q filed on October 28, 2011)

4.22 Amended and Restated Credit Agreement dated November 30, 2011, by and among TAL International Container Corporation, The Royal Bank of Scotland PLC as Administrative Agent and as Collateral Agent, RBS Securities, Inc. as Sole Arranger, and the Lenders from time to time party thereto (incorporated by reference from Exhibit 4.45 to TAL International Group Inc.'s Form 10-K filed on February 22, 2012)

Table of Contents

- Amended and Restated Security Agreement dated November 30, 2011, by and among TAL International
4.23 Container Corporation and The Royal Bank of Scotland PLC as Collateral Agent (incorporated by reference
from Exhibit 4.46 to TAL International Group Inc.'s Form 10-K filed on February 22, 2012)
- Amended and Restated Pledge Agreement dated November 30, 2011, by and among TAL International
4.24 Container Corporation, as Pledgor in favor of The Royal Bank of Scotland PLC in its capacity as Collateral
Agent, as Pledgee (incorporated by reference from Exhibit 4.47 to TAL International Group Inc.'s Form 10-K
filed on February 22, 2012)
- Amended and Restated Guaranty dated November 30, 2011 made by TAL International Group, Inc.
4.25 (incorporated by reference from Exhibit 4.48 to TAL International Group Inc.'s Form 10-K filed on February 22,
2012)
- Amendment No. 2 dated December 22, 2011 to the Credit Agreement dated July 31, 2006, by and among TAL
4.26 International Container Corporation, Fortis Bank NA/SV, assignee of Fortis Capital Corp. and the Lenders party
thereto (incorporated by reference from Exhibit 4.49 to TAL International Group Inc.'s Form 10-K filed on
February 22, 2012)
- Indenture, dated as of February 27, 2013, by and between TAL Advantage V, LLC and Wells Fargo Bank,
4.27 National Association, as Indenture Trustee (incorporated by reference from Exhibit 4.52 to TAL International
Group Inc.'s Form 10-Q filed on April 30, 2013)
- Series 2013-1 Supplement dated as of February 27, 2013, by and between TAL Advantage V, LLC and Wells
4.28 Fargo Bank, National Association, as Indenture Trustee (incorporated by reference from Exhibit 4.53 to TAL
International Group Inc.'s Form 10-Q filed on April 30, 2013)
- Management Agreement dated as of February 27, 2013, by and between TAL International Container
4.29 Corporation and TAL Advantage V LLC (incorporated by reference from Exhibit 4.54 to TAL International
Group Inc.'s Form 10-Q filed on April 30, 2013)
- Contribution and Sale Agreement dated as of February 27, 2013 by and between TAL International Container
4.30 Corporation and TAL Advantage V LLC (incorporated by reference from Exhibit 4.55 to TAL International
Group Inc.'s Form 10-Q filed on April 30, 2013)
- Transition Agent Agreement dated as of February 27, 2013 by and between Wells Fargo Bank, National
4.31 Association, TAL International Container Corporation and TAL Advantage V LLC (incorporated by reference
from Exhibit 4.56 to TAL International Group Inc.'s Form 10-Q filed on April 30, 2013)
- Series 2013-1 Note Purchase Agreement dated as of February 20, 2013 by and between TAL Advantage V LLC,
4.32 TAL International Container Corporation, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBS Securities
Inc. and RBC Capital Markets, LLC (incorporated by reference from Exhibit 4.57 to TAL International Group
Inc.'s Form 10-Q filed on April 30, 2013)
- Credit Agreement, dated as of March 12, 2013, by and among TAL International Container Corporation, the
Lenders from time to time party thereto, Bank of America N.A. as Administrative Agent and Collateral Agent,
4.33 Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC and RBC Capital Markets, as
Joint Lead Arrangers (incorporated by reference from Exhibit 4.58 to TAL International Group Inc.'s Form 10-Q
filed on April 30, 2013)

Edgar Filing: TAL International Group, Inc. - Form 10-K/A

- Security Agreement dated March 12, 2013, by and among TAL International Container Corporation and Bank of America N.A. as Collateral Agent (incorporated by reference from Exhibit 4.59 to TAL International Group Inc.'s Form 10-Q filed on April 30, 2013)
- 4.34
- 4.35 Guaranty dated March 12, 2013 made by TAL International Group, Inc. (incorporated by reference from Exhibit 4.60 to TAL International Group Inc.'s Form 10-Q filed on April 30, 2013)

Table of Contents

- Omnibus Amendment No. 1 dated July 2, 2013 to the Amended and Restated Indenture, Series 2009-1 Supplement and Series 2009-1 Note Purchase Agreement by and between TAL Advantage III LLC and Wells
4.36 Fargo Bank, National Association, Wells Fargo Securities, LLC, and the other Noteholders from time to time party thereto and the other financial institutions from time to time party thereto (incorporated by reference from Exhibit 4.63 to TAL International Group Inc.'s Form 10-Q filed on July 30, 2013)
- Fourth Supplemental Indenture between TAL Advantage I LLC and U.S. Bank National Association dated July
4.37 5, 2013 to the Amended and Restated Indenture dated as of April 12, 2006 (incorporated by reference from Exhibit 4.64 to TAL International Group Inc.'s Form 10-Q filed on July 30, 2013)
- Series 2013-2 Note Purchase Agreement dated as of October 31, 2013 by and between TAL Advantage V LLC,
4.38 TAL International Container Corporation, and Nomura Securities International, Inc. (incorporated by reference from Exhibit 4.60 to TAL International Group Inc.'s Form 10-K filed on February 20, 2014)
- Series 2013-2 Supplement dated as of November 7, 2013, by and between TAL Advantage V, LLC and Wells
4.39 Fargo Bank, National Association, as Indenture Trustee (incorporated by reference from Exhibit 4.61 to TAL International Group, Inc.'s Form 10-K filed on February 20, 2014)
- Amendment No. 1 dated November 8, 2013 to the 2013-1 Supplement dated February 27, 2013, by and among
4.40 TAL Advantage V LLC and Wells Fargo Bank, National Association, as Indenture Trustee (incorporated by reference from Exhibit 4.62 to TAL International Group, Inc.'s Form 10-K filed on February 20, 2014)
- Amendment No. 2 dated as of February 26, 2014, to the Indenture dated as of February 27, 2013 between TAL
4.41 Advantage V LLC, as the Issuer and Wells Fargo Bank, National Association, as the Indenture Trustee (incorporated by reference from Exhibit 4.63 to TAL International Group, Inc.'s Form 10-Q filed on April 29, 2014)
- Series 2014-1 Supplement dated as of February 27, 2014 by and between TAL Advantage V LLC as the Issuer
4.42 and Wells Fargo Bank, National Association as the Indenture Trustee (incorporated by reference from Exhibit 4.64 to TAL International Group, Inc.'s Form 10-Q filed on April 29, 2014)
- Series 2014-1 Note Purchase Agreement dated as of February 19, 2014 by and between TAL Advantage V LLC,
4.43 as Issuer, TAL International Container Corporation, as Manager, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC, and Wells Fargo Securities, LLC, as Initial Purchasers (incorporated by reference from Exhibit 4.65 to TAL International Group, Inc.'s Form 10-Q filed on April 29, 2014)
- Term Loan Agreement dated as of April 2, 2014 by and between TAL International Container Corporation, as
4.44 Borrower, the Lenders from time to time party thereto, as Lenders, Suntrust Bank, as Administrative Agent and as Collateral Agent, Suntrust Robinson Humphrey, Inc., as Lead Arranger, and ING Belgium SA/NV, as Syndication Agent (incorporated by reference from Exhibit 4.66 to TAL International Group, Inc.'s Form 10-Q filed on April 29, 2014)
- Security Agreement dated as of April 2, 2014, by and among TAL International Container Corporation and
4.45 Suntrust Bank as Collateral Agent (incorporated by reference from Exhibit 4.67 to TAL International Group, Inc.'s Form 10-Q filed on April 29, 2014)
- Guaranty dated as of April 2, 2014, made by TAL International Group, Inc. (incorporated by reference from
4.46 Exhibit 4.68 to TAL International Group, Inc.'s Form 10-Q filed on April 29, 2014)

Edgar Filing: TAL International Group, Inc. - Form 10-K/A

Series 2014-2 Supplement dated as of May 19, 2014 by and between TAL Advantage V LLC, as Issuer and
4.47 Wells Fargo Bank, National Association, as the Indenture Trustee (incorporated by reference from Exhibit 4.69
to TAL International Group, Inc.'s Form 10-Q filed on July 30, 2014)

Series 2014-2 Note Purchase Agreement dated as of May 8, 2014 by and between TAL Advantage V LLC, as
4.48 Issuer, TAL International Container Corporation, as Manager, BNP Paribas Securities Corp., Wells Fargo
Securities, LLC, and RBC Capital Markets, LLC as Initial Purchasers (incorporated by reference from Exhibit
4.70 to TAL International Group, Inc.'s Form 10-Q filed on July 30, 2014)

Table of Contents

- 4.49 Amendment No. 2 dated October 10, 2014 to the Amended and Restated Indenture, dated as of August 12, 2011, by and between TAL Advantage III LLC, as Issuer and Wells Fargo Bank, National Association, as Indenture Trustee (incorporated by reference from Exhibit 4.71 to TAL International Group, Inc.'s Form 10-Q filed on October 29, 2014)
- 4.50 Second Amended and Restated 2009-1 Supplement dated as of October 10, 2014 by and between TAL Advantage III LLC, as Issuer and Wells Fargo Bank, National Association, as Indenture Trustee (incorporated by reference from Exhibit 4.72 to TAL International Group, Inc.'s Form 10-Q filed on October 29, 2014)
- 4.51 Second Amended and Restated Series 2009-1 Note Purchase Agreement dated as of October 10, 2014 by and between TAL Advantage III LLC, as Issuer and the Noteholders from time to time party thereto and the other financial institutions from time to time party hereto (incorporated by reference from Exhibit 4.73 to TAL International Group, Inc.'s Form 10-Q filed on October 29, 2014)
- 4.52 Amendment No. 2 dated October 10, 2014 to the Management Agreement dated October 23, 2009 by and between TAL Advantage III LLC, as Issuer and TAL International Container Corporation, as Manager (incorporated by reference from Exhibit 4.74 to TAL International Group, Inc.'s Form 10-Q filed on October 29, 2014)
- 4.53 Credit Agreement dated as of November 7, 2014 by and between TAL International Container Corporation, as Borrower, the Lenders from time to time party hereto, as Lenders, First Niagara Bank, N.A., as Administrative Agent, as Collateral Agent, and as Joint Lead Arranger and Joint Bookrunner, ING Belgium SA/NV, as Syndication Agent, Joint Lead Arranger and Joint Bookrunner, and Wells Fargo Equipment Finance, Inc. and PNC Bank, National Association, as Co-documentation Agents (incorporated by reference from Exhibit 4.60 to TAL International Group, Inc.'s Form 10-K filed on February 19, 2015)
- 4.54 Security Agreement dated as of November 7, 2014, by and among TAL International Container Corporation and First Niagara Bank, N.A. as Collateral Agent (incorporated by reference from Exhibit 4.61 to TAL International Group, Inc.'s Form 10-K filed on February 19, 2015)
- 4.55 Guaranty dated as of November 7, 2014, made by TAL International Group, Inc. (incorporated by reference from Exhibit 4.62 to TAL International Group, Inc.'s Form 10-K filed on February 19, 2015)
- 4.56 Series 2014-3 Supplement dated as of November 25, 2014 by and between TAL Advantage V LLC, as Issuer and Wells Fargo Bank, National Association, as the Indenture Trustee (incorporated by reference from Exhibit 4.63 to TAL International Group, Inc.'s Form 10-K filed on February 19, 2015)
- 4.57 Series 2014-3 Note Purchase Agreement dated as of November 18, 2014 by and between TAL Advantage V LLC, as Issuer, TAL International Container Corporation, as Manager, RBC Capital Markets, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC, ABN Amro Securities (USA) LLC, Nomura Securities International, Inc., and Mizuho Securities USA Inc. as Initial Purchasers (incorporated by reference from Exhibit 4.64 to TAL International Group, Inc.'s Form 10-K filed on February 19, 2015)
- 4.58 ***Modification of Term Loan Agreement dated as of February 5, 2016 by and between TAL International Container Corporation, as Borrower, the Lenders from time to time party thereto, as Lenders, Suntrust Bank, as Administrative Agent and as Collateral Agent, Suntrust Robinson Humphrey, Inc., as Lead Arranger, and

ING Belgium SA/NV, as Syndication Agent

10.1 Amended and Restated Management Subscription Agreement, dated as of October 11, 2005, by and among TAL International Group, Inc., Brian M. Sondey, Chand Khan, Frederico Baptista, Adrian Dunner, John C. Burns, Bernd Schackier and John Pearson (incorporated by reference from Exhibit 10.9 to TAL International Group, Inc.'s Form 10-K filed on March 20, 2006)

10.2 Amended and Restated Tax Sharing Agreement, dated as of August 1, 2005, by and among TAL International Group, Inc. and its subsidiaries named therein (incorporated by reference from Exhibit 10.12 to Amendment No. 1 to TAL International Group, Inc.'s Form S-1 filed on August 26, 2005, file number 333-126317)

33

Table of Contents

- 10.3+ Employment Agreement, dated as of November 3, 2004, by and between TAL International Group, Inc. and Brian M. Sondey (incorporated by reference from Exhibit 10.13 to TAL International Group, Inc.'s Form S-1 filed on June 30, 2005, file number 333-126317)
- 10.4+ Form of Indemnity Agreement between TAL International Group, Inc., certain of its subsidiaries, each of their respective current directors and certain of their respective current officers (incorporated by reference from Exhibit 10.22 to Amendment No. 2 to TAL International Group, Inc.'s Form S-1 filed on September 20, 2005, file number 333-126317)
- 10.5+ 2005 Management Omnibus Incentive Plan (incorporated by reference from Exhibit 10.33 to TAL International Group, Inc.'s Form 10-K filed on March 20, 2006)
- 10.6+ 2014 Equity Incentive Plan (incorporated by reference from Exhibit 4.4 to TAL International Group, Inc.'s Form S-8 filed on July 30, 2014)
- 14.1 Code of Ethics (incorporated by reference from Exhibit 14.1 to the TAL International Group, Inc.'s Form 8-K filed on April 3, 2006)
- 21.1 ***List of Subsidiaries
- 23.1 ***Consent of Independent Registered Public Accounting Firm
- 24.1 ***Powers of Attorney (included on the signature page to this Annual Report on Form 10-K)
- 31.1 * Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended
- 31.2 * Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended
- 32.1 * Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350
- 32.2 * Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350

+ Indicates a management contract or compensatory plan or arrangement.

* Filed herewith.

** Furnished herewith.

*** Previously filed as a like-numbered exhibit to the Original Filing and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TAL International Group, Inc.

Dated: May 5, 2016 By: /s/ John Burns

Name: John Burns

Title: Senior Vice President and Chief Financial Officer