TEXTAINER GROUP HOLDINGS LTD
Form 424B4
October 11, 2007
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Filed Pursuant to Rule 424(b)(4)
File No. 333-146304

PROSPECTUS

9,000,000 Shares

Textainer Group Holdings Limited

Common Shares

We are selling 9,000,000 common shares.

The underwriters have an option to purchase a maximum of 1,350,000 additional common shares to cover over-allotments of shares. The underwriters are entitled to exercise this right at any time within 30 days from the date of this prospectus.

Prior to this offering there has been no public market for our common shares. The initial public offering price is $16.50 per share. Our application to have the common shares listed on the New York Stock Exchange under the symbol TGH has been approved.

Investing in our common shares involves a high degree of risk. See Risk Factors on page 11.

Our principal shareholder, Halco Holdings Inc. (Halco), which is owned by a trust in which Trencor Limited and certain of its affiliates are the sole discretionary beneficiaries, has indicated to the underwriters its interest in acquiring $2,100,000 common shares in this offering at the initial offering price. These shares will not be purchased unless the offering to the public is consummated. Halco is not under any obligation to purchase any shares in this offering and its interest in purchasing shares in this offering is not a commitment to do so. These shares, if purchased, will be subject to the 180 day lock-up agreement that Halco signed with the representatives of the underwriters in connection with this offering. The underwriters are not entitled to any discount or commission on these shares.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Textainer (before Expenses)
Per Share to Public	$16.50	$1.1055	$15.3945
Per Share to Halco	$16.50	$0.00	$16.50
Total	$148,500,000	$7,627,950	$140,872,050

Delivery of the common shares will be made on or about October 15, 2007.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse

Wachovia Securities

Jefferies & Company

Piper Jaffray

Fortis Securities LLC

The date of this prospectus is October 9, 2007.

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Until November 3, 2007 (25 days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This requirement is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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PROSPECTUS SUMMARY

You should carefully read this entire prospectus and consider, among other things, the matters set forth under Risk Factors before deciding to invest in our common shares. In this prospectus, unless indicated otherwise, references to: (1) Textainer, TGH, the company, we, us and our refer to Textainer Group Holdings Limited, a Bermuda company that is the issuer of the common shares in this offering and its subsidiaries; (2) TEU refers to a Twenty-Foot Equivalent Unit, which is a unit of measurement used in the container shipping industry to compare shipping containers of various lengths to a standard 20 dry freight container, thus a 20 container is one TEU and a 40 container is two TEU; (3) CEU refers to a Cost Equivalent Unit, which is a unit of measurement based on the approximate cost of a container relative to the cost of a standard 20 dry freight container, so the cost of a standard 20 dry freight container is one CEU; the cost of a 40 dry freight container is 1.6 CEU; and the cost of a 40 high cube dry freight container (9 6 high) is 1.68 CEU; (4) our owned fleet means the containers we own; (5) our managed fleet means the containers we manage that are owned by other container investors; (6) our fleet and our total fleet mean our owned fleet plus our managed fleet plus any containers we lease from other lessors; (7) container investors means the owners of the containers in our managed fleet; (8) Drewry refers to Drewry Shipping Consultants Limited; (9) Clarkson refers to Clarkson Research Services Limited; and (10) Trencor refers to Trencor Ltd., a public South African container and logistics company listed on the JSE Limited in Johannesburg, South Africa, which, together with certain of its subsidiaries, are the discretionary beneficiaries of a trust that indirectly owns a majority of our common shares (such interest, beneficiary interest). See Business History and Corporate Structure for an explanation of the relationship between us and Trencor.

Our Company

Operating since 1979, we are the world s largest lessor of intermodal containers based on fleet size (*Containerisation International Market Analysis: Container Leasing Market 2007*), with a total fleet of more than 1.3 million containers, representing over 2,000,000 TEU. We lease containers to more than 300 shipping lines and other lessees, including each of the world s top 20 container lines, as measured by the total TEU capacity of their container vessels (container vessel fleet size). We believe we are one of the most reliable lessors of containers, in terms of consistently being able to supply containers in locations where our customers need them. We have provided an average of more than 90,000 TEU of new containers per year for the past 12 years, and have been one of the largest purchasers of new containers among container lessors over the same period. We believe we are also one of the two largest sellers of used containers among container lessors, having sold an average of more than 45,600 containers per year for the last five years. We provide our services worldwide via a network of 14 regional and area offices and over 300 independent depots in more than 130 locations. Trencor, a company publicly traded on the JSE Limited (the JSE) in Johannesburg, South Africa, and its affiliates currently have beneficiary interest in a majority of our issued and outstanding common shares and will continue to have a majority interest after giving effect to this offering.

We operate our business in four core segments: Container Ownership (representing 52% of our fleet as of June 30, 2007), Container Management (representing the remaining 48% of our fleet as of June 30, 2007), Container Resale (of our owned and managed containers and as a trader) and Military Management (we have contracted to be the main supplier of containers to the U.S. military).

We principally lease dry freight containers, which are by far the most common of the three principal types of intermodal containers. Dry freight intermodal containers are large, standardized steel boxes used to transport cargo by multiple modes of transportation, including ships, trains and trucks. Compared to traditional shipping methods, intermodal containers typically provide users with faster loading and unloading as well as some protection from weather and potential theft, thereby reducing both transportation costs and time to market for our lessees customers.

We primarily lease containers under four different types of leases. Term leases, which provide a customer with a specified number of containers for a specified period of time, typically ranging from three to five years, with an associated set of pick-up and drop-off conditions, represented 62.1% of our on hire fleet as of June 30, 2007. Master leases, which provide a framework of terms and conditions valid for a specified period of time, typically one year, give customers greater flexibility than is typical in term leases and represented 29.9% of our on hire fleet as of June 30, 2007. Spot leases, which provide the customers with containers for a relatively short lease period and fixed pick-up and drop-off locations, represented 5.4% of our on hire fleet as of June 30, 2007. Finance leases, which provide customers an alternative means for purchasing containers, represented 2.6% of our on hire fleet as of June 30, 2007.

For 2006, we generated revenues, income from operations and income before taxes of $226.5 million, $108.4 million and $60.6 million, respectively. For 2006, the proportion of our income before taxes generated from Container Ownership, Container Management, Container Resale and Military Management operating segments was 70.3%, 18.9%, 8.9% and 1.9%, respectively, before taking into consideration inter-segment eliminations. As of June 30, 2007, the utilization of our fleet was 93.6%. The average remaining lease term for our term leases as of June 30, 2007, was 2.1 years.

Industry Overview

In 2006, the container shipping industry celebrated the 50th anniversary of the first standardized container voyage by sea. According to preliminary data published by Drewry, the annual gross revenues of container shipping lines had grown to $187.7 billion in 2006. Also according to Drewry, the volume of the industry, as measured by loaded container liftings, grew at a compound annual growth rate (CAGR) of 9.8% from 1980 to 2005 and is forecasted to grow by approximately 9.0% annually through 2011 and container trade is projected to grow by 9.8% in 2007 and 9.2% in 2008. In addition, as of April 2007, the new containership orderbook reached a level of 1,255 vessels, or 4.64 million TEU, representing 48% of the then existing worldwide container ship capacity, according to Clarkson. We believe this increased vessel capacity should continue to drive the demand for intermodal containers. We believe that the projected growth in the container shipping industry is due to several factors, including:

- the movement in global manufacturing capacity toward lower labor cost areas such as the People s Republic of China (the PRC) and India;
- the continued integration of developing high growth economies into global trade patterns;
- the general trend away from bulk shipping and migration to the use of containers; and
- the gradual liberalization and integration of world trade.

According to *Containerisation International, World Container Census 2007*, container lessors owned approximately 42.5% of the total worldwide container fleet of 22.2 million TEU as of mid-2006, with the balance owned by the shipping lines. The percentage of containers utilized by shipping lines and leased from container lessors ranged from 43% to 54% from 1980 through 2006 and is projected to stay in the 42% to 43% range from 2007 to 2015. Most shipping lines lease a portion of their container fleets, which enables them to serve their customers better by:

- increasing flexibility to manage the availability and location of containers;
- increasing the shipper s ability to meet peak demand requirements, particularly prior to holidays such as Christmas and Chinese New Year; and
- reducing their capital expenditures.

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Our Strengths

We believe that we have the following competitive strengths:

Largest Container Lessor, with Global Scale and Infrastructure Overseen by Experienced Management. We have a long history in our business and are currently the world s largest container lessor, with a truly global platform and proprietary information technology systems that help us serve our shipping line customers effectively by generally providing containers where they need them, when they need them. Our management team on average has 21 years experience in the container leasing industry.

Lease Term and Type Flexibility, Global Presence and Logistical and Resale Expertise. Our lease type and terms, international coverage, organization and resources enable us to handle a variety of types of leases effectively and position us to generally optimize residual values when selling containers, thereby helping us optimize value over the entirety of a container s useful economic life in marine service. We structure our initial long-term leases of new containers in an effort to minimize the number of containers that can be returned in lower demand locations. We re-lease off-lease containers into a wide variety of master and special leases with other customers. We utilize our expertise in logistics and our U.S. military relationship to reposition off-lease containers from lower demand to higher demand locations. Finally, we believe that selling used containers ourselves optimizes the residual value of our fleet.

High Margin, High Return, Less Cyclical Business Model Driven by Diverse Revenue Streams. By balancing the ownership of containers with the management of containers for third parties, we enjoy the market presence, customer service and scale benefits of a larger fleet without the capital cost associated with owning such a fleet. We believe that over time, this model s capital cost efficiency provides us with higher operating margins and higher returns on capital than would a model in which we only owned or only managed containers. Also, managing containers during periods of low demand for containers reduces the negative financial impact of such periods since the container investors bear the cost of owning the containers. We further balance these diverse revenue streams by selling and trading containers and supplying leased containers to the U.S. military; taken together, these multiple revenue streams provide for a diverse income base, mitigate the effects of cycles in our industry on our profitability and allow us to optimize our use of capital.

Demonstrated Ability to Grow Organically or via Acquisitions of Existing Fleets. We believe we are the leasing industry s largest buyer of new containers, purchasing on average more than 90,000 TEU per year over the last 12 years; as a result, and given our large volume buying power and solid financial structure, we are able to source containers during periods of high demand. We are able to identify, analyze and integrate potential acquisitions quickly and effectively, growing our revenues without a corresponding increase in our expenses because of our scalable infrastructure. We have successfully concluded eight transactions over the last 20 years involving other lessors container fleets or management rights over those fleets, representing over 1,143,000 TEU in total.

Business Strategies

We intend to grow our business profitably by pursuing the following strategies:

Leverage Our Status as the Largest Intermodal Container Lessor and Consistent Purchaser. While a number of our competitors purchasing patterns have fluctuated over time, we have been, and plan to continue to be, a consistent purchaser of containers, maintaining what we believe to be one of the youngest fleet age profiles among major lessors as we grow our fleet. We believe that our scale, consistent purchasing habits, and maintenance of a young fleet age profile have provided us with a competitive advantage that we will continue to exploit.

Pursue Attractive Acquisitions. Having already participated in the significant consolidation that has occurred in our industry, we will continue to seek to identify and acquire attractive portfolios of containers, both on an owned and on a managed basis, to allow us to grow our fleet profitably.

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Continue to Focus on Operating Efficiency. We already have a low cost, efficient structure, and we believe that we can continue to grow our fleet and therefore our revenue without a proportionate increase in our headcount, thereby spreading our operating expenses over a larger base and improving our profitability.

Grow Our Container Resale and Military Management Businesses. We look to trade containers and sell containers from our fleet when they reach the end of their useful lives in marine service or when it is financially attractive for us to do so, often receiving rental revenue from a shipping line for a one-way lease of the container to its ultimate sales destination. We also seek to grow our relationship with the U.S. military, for which we are the main provider of leased intermodal containers.

Maintain Access to Diverse Sources of Capital. We have successfully utilized a wide variety of financing alternatives to fund our growth, including secured and unsecured debt financings, bank financing, and equity from third party investors in containers. We believe this diversity of funding, combined with our anticipated access to the public equity markets, provides us with a competitive advantage in terms of both cost and availability of capital.

Risk Factors

In the execution of our business strategy, we have faced and will continue to face significant challenges. Our ability to execute our strategy is subject to numerous risks as discussed more fully in Risk Factors, immediately following this Prospectus Summary. For example:

The demand for leased containers depends on many political and economic factors beyond our control;

Lease rates may decrease, which could harm our business, results of operations and financial condition;

If container prices decline after we purchase the containers but before we lease them, our results of operations and financial condition may be harmed;

Sustained reduction in prices of new containers could harm our business and results of operations due to its effects on the lease rates of older, off-lease containers;

Further consolidation of container manufacturers or the disruption of manufacturing for the major manufacturers could result in higher new container prices and/or decreased access to new containers. Any increase in the cost or reduction in the supply of new containers could harm our business, results of operations and financial condition; and

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

Any of the above risks could adversely affect our financial position and results of operations. Furthermore, the execution of our plans could result in our having reduced income or losses that could have a material adverse effect on our business. Investment in our common shares involves risks. You should read and consider the information set forth in Risk Factors and all other information set forth in this prospectus before investing in our common shares.

Recent Events

On July 23, 2007, we purchased for $56.0 million the exclusive rights to manage the container fleet of Capital Lease Limited, Hong Kong (Capital) from Green Eagle Investments N.V., an investment vehicle of DVB Bank America N.V., which concurrently purchased all of the outstanding capital shares of Capital. Capital is the world s eighth largest container leasing company as measured by fleet size according to *Containerisation International Market Analysis: Container Leasing Market 2007*, with over 500,000 TEU in its fleet. We began management of the Capital fleet on September 1, 2007. With this addition, we have over 2,000,000 TEU in our fleet. We funded the $56.0 million purchase price through a borrowing under our secured debt facility and we intend to use a portion of the proceeds from this offering to repay this borrowing. In addition, we have agreed in principle with FB Transportation Capital LLC and FB Aviation and Intermodal Finance Holding B.V. (together, FB) that Textainer Limited will acquire half of their interest in our subsidiary, Textainer Marine Containers Limited, at a cash price equal to (i) 25% of the total shareholders equity of the Class A Shares of Textainer Marine Containers Limited on the day immediately preceding the closing of such acquisition, plus (ii) $18.0 million. If this transaction had closed on July 31, 2007, the cash purchase price would have been approximately $68.7 million. In addition, as part of the consideration, at least 50% of the total annual capital expenditures of the company on new containers, as measured under GAAP, will be allocated to the Class A portion of Textainer Marine Containers Limited for a three-year period after the close of this transaction. FB shall hold 25% of all issued and outstanding Class A Shares of Textainer Marine Containers Limited after the close of this transaction. We are in the process of negotiating the transaction documents and expect to close the transaction within two business days after the closing of this offering or as soon as practicable thereafter. See Use of Proceeds.

The U.S. military informed us in August 2007 that 26,120 containers that they lease from us are unaccounted for. Of this total, 9,850 are owned containers, 12,094 are managed for third party owners and 4,176 are subleased. Per the terms of our contract with the U.S. military, they will pay a stipulated value for each of these containers. Due to the loss of these containers, future rental income from the U.S. military on these containers will cease, but we expect to record a gain on disposal of the owned portion of these unaccounted for containers during the quarterly period ended September 30, 2007.

On September 4, 2007, our shareholders approved a one-for-one share split, effected by way of a share dividend or bonus issue, for shareholders of record as of August 8, 2007. The share split was effected by way of a bonus issue on October 8, 2007. All shares and per share data in this prospectus, including the consolidated financial statements, have been adjusted to reflect the share split, effected by way of a bonus issue.

Our Corporate Information

Our business began operations in 1979. We reorganized our business in 1993 and incorporated Textainer Group Holdings Limited in Bermuda as the holding company of a group of corporations involved in the purchase, ownership, management, leasing and disposal of a fleet of intermodal containers. Our subsidiaries manage and provide administrative support to the affiliated and unaffiliated owners of the containers. We have three directly owned subsidiaries:

- Textainer Equipment Management Limited, our wholly-owned subsidiary incorporated in Bermuda, which provides container management, acquisition and disposal services to affiliated and unaffiliated container investors;

- Textainer Limited, our wholly-owned subsidiary incorporated in Bermuda, which owns containers directly and via a subsidiary, Textainer Marine Containers Limited, which is jointly owned with FB Aviation and Intermodal Finance Holding B.V., a Netherlands corporation, and FB Transportation Capital LLC, a Delaware limited liability company; and

- Textainer Capital Corporation, our wholly-owned subsidiary incorporated in Delaware, which together with its subsidiary, was the former managing general partner of six California limited partnerships formed to invest in transportation equipment and which are now dissolved. This entity is currently not actively operating.

The information contained on, or that can be accessed through, our website, including but not limited to www.textainer.com, is not incorporated into and is not intended to be a part of this prospectus.

We have registered TEXTAINER, TEX and tex (logo) in the U.S. Patent and Trademark Office and in the patent and trademark agencies of thirteen countries as trademarks. This prospectus also contains

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trademarks and trade names of other companies and those trademarks and trade names are the property of their respective owners.

This prospectus contains market data and industry forecasts that were obtained from industry publications, third-party market research and publicly available information. These publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed.

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The Offering

Common shares offered by us	9,000,000 Shares
Common shares to be issued and outstanding after this offering	47,604,640 Shares
Common shares currently held by Halco	27,678,802 Shares
Common shares that would be held by Halco after this offering, assuming the purchase by Halco of 2,100,000 common shares in this offering	29,778,802 Shares
Use of proceeds	We intend to use the proceeds from this offering (1) to repay the debt incurred to fund our purchase of the exclusive rights to manage the container fleet of Capital from Green Eagle Investments N.V. which acquisition closed on July 23, 2007; (2) to fund the purchase of half of the interests held by FB in our subsidiary, Textainer Marine Containers Limited; (3) to fund fleet expansion and acquisitions of complementary businesses, products, technologies or other assets; and (4) for general corporate purposes, including repayment of debt, working capital and capital expenditures. See Use of Proceeds.
Dividend Policy	Our board of directors has adopted a dividend policy which reflects its judgment that our shareholders would be better served if we distributed to them, as quarterly dividends payable at the discretion of our board of directors, a portion of the cash generated by our business in excess of our expected cash needs, including cash needs for potential acquisitions or other growth opportunities, rather than retaining such excess cash or using such cash for other purposes. In accordance with our dividend policy, we currently intend to pay an initial fourth quarter dividend of $0.20 per share on or about December 2007.

We are not required to pay dividends, and our shareholders will not be guaranteed, or have contractual or other rights, to receive dividends. Our board of directors may decide, in its discretion, at any time, to decrease the amount of dividends, otherwise modify or repeal the dividend policy or discontinue entirely the payment of dividends. In addition, our ability to pay dividends is and will be restricted by current and future arrangements governing our debt and by Bermuda law. Furthermore, since we are a holding company, substantially all of the assets shown on our consolidated balance sheet are held by our subsidiaries. Accordingly, our earnings and cash flow and our ability to pay dividends are largely dependent upon the earnings and cash flows of our subsidiaries and the distribution or other payment of such earnings to us in the form of dividends. See Dividend Policy for further details.

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Listing	Our application to have the common shares listed on the New York Stock Exchange under the symbol TGH has been approved.
New York Stock Exchange symbol	TGH

The number of common shares that will be issued and outstanding after this offering is based on the number of shares issued and outstanding as of June 30, 2007, and excludes the common shares reserved for future issuance under our 2007 Share Incentive Plan. We have reserved a maximum of 8% of our issued and outstanding common shares as of forty-five (45) days after the completion of this offering for issuance under our 2007 Share Incentive Plan.

Unless otherwise stated, information in this prospectus assumes:

- the amendment of our bye-laws effective immediately before the completion of this offering;
- a one-for-one share split, effected on October 8, 2007 by way of a bonus issue, as of August 8, 2007. All share and per share data in this prospectus, including the consolidated financial statements, have been adjusted to reflect the share split, effected by way of a bonus issue; and
- no exercise of the over-allotment option granted to the underwriters.

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Summary Consolidated Financial and Operating Data

The summary consolidated financial data presented below under the heading Statement of Income Data for the years ended December 31, 2006, 2005 and 2004 has been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated financial data presented below under the heading Statement of Income Data for the six months ended June 30, 2007 and 2006 and under the heading Balance Sheet Data as of June 30, 2007, is unaudited, has been derived from our unaudited consolidated financial statements that are included elsewhere in this prospectus and has been prepared on the same basis as our audited consolidated financial statements. In the opinion of management, the unaudited consolidated summary financial data presented below under the headings Statement of Income Data and Balance Sheet Data reflects all normal and recurring adjustments necessary to fairly present our financial condition and results of operations as of and for the periods presented. The data presented below under Other Financial and Operating Data is not audited. Historical results are not necessarily indicative of the results of operations to be expected for future periods. You should read the summary consolidated financial and operating data presented below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and with our consolidated financial statements and related notes included elsewhere in this prospectus.

We adopted the Financial Accounting Standards Board (FASB) Staff Position Accounting for Planned Major Maintenance Activities (FSP AUG AIR-1) effective January 1, 2007. As a result, we have retroactively adjusted our consolidated financial statements to reflect the direct expense method of accounting for maintenance, a method permitted under this Staff Position. The impact of the application of FSP AUG AIR-1 to our direct container expense, in thousands, was a $406, $1,903 and $2,255 decrease for the years ended December 31, 2006, 2005 and 2004, respectively, and a $182 decrease for the six months ended June 30, 2006.

The as-adjusted balance sheet data reflects the balance sheet data as of June 30, 2007, as adjusted for the sale of 9,000,000 common shares in this offering at the initial public offering price of $16.50 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, as if these events had occurred as of June 30, 2007.

	Six Months Ended June 30, (Unaudited)		Fiscal Year Ended December 31,		
	2007	2006	2006	2005	2004
	(Dollars in thousands, except per share data)				
Statement of Income Data:					
Revenues:					
Lease rental income	$ 96,649	$ 90,679	$ 186,093	$ 188,904	$ 147,152
Management fees	10,141	6,574	16,194	15,472	17,942
Trading container sales proceeds	7,162	9,287	14,137	16,046	8,429
Incentive management fees and general partner distributions				2,874	1,579
Gain on sale of containers, net	5,611	4,186	9,558	10,456	4,275
Other	286	182	480	648	940
Total revenues	119,849	110,908	226,462	234,400	180,317

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	Six Months Ended June 30, (Unaudited)		Fiscal Year Ended December 31,		
	2007	2006	2006	2005	2004
	(Dollars in thousands, except per share data)				
Operating expenses:					
Direct container expense	18,427	15,715	29,757	24,314	16,431
Cost of trading containers sold	5,779	7,708	11,480	12,944	6,235
Depreciation expense	23,391	29,625	54,330	60,792	48,321
Amortization expense	1,070		1,023		
General and administrative expense	8,407	8,133	16,155	16,567	16,807
Incentive compensation expense	2,178	1,720	4,694	5,140	4,507
Bad debt expense, net	996	502	664	91	868
Total operating expenses	60,248	63,403	118,103	119,848	93,169
Income from operations	59,601	47,505	108,359	114,552	87,148
Other income (expense):					
Interest expense	(17,251)	(15,385)	(33,083)	(27,491)	(13,434)
Interest income	1,377	1,021	2,286	1,086	399
Realized and unrealized gains (losses) on derivative instruments, net	1,519	4,607	2,274	4,535	(889)
Other, net	(7)	(145)	243	(2,648)	(237)
Net other expense	(14,362)	(9,902)	(28,280)	(24,518)	(14,161)
Income before income tax and minority interest	45,239	37,603	80,079	90,034	72,987
Income tax expense	(2,775)	(2,061)	(4,299)	(4,662)	(4,011)
Minority interest expense	(9,150)	(10,277)	(19,499)	(22,393)	(15,382)
Net income	$ 33,314	$ 25,265	$ 56,281	$ 62,979	$ 53,594
Net income per share:					
Basic	$ 0.87	$ 0.66	$ 1.47	$ 1.65	$ 1.41
Diluted	$ 0.86	$ 0.66	$ 1.46	$ 1.63	$ 1.39
Weighted average shares outstanding:					
Basic	38,494	38,136	38,186	38,142	38,022
Diluted	38,574	38,480	38,488	38,598	38,490
Other Financial and Operating Data (unaudited):					
EBITDA(1)	$ 84,055	$ 76,985	$ 163,955	$ 172,696	$ 135,232
Purchase of containers and fixed assets(2)	$ 93,710	$ 24,165	$ 104,818	$ 158,193	$ 194,634
Utilization(3):					
Former Computation	91.2%	89.8%	91.1%	91.9%	93.2%
New Computation	93.6%				
Total fleet in TEU (as of the end of the period)(4)	1,559,215	1,198,884	1,527,814	1,183,332	1,157,063

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	As of June 30, 2007 Actual	As Adjusted
	(Unaudited)	
	(Dollars in thousands)	
Balance Sheet Data:		
Cash and cash equivalents	$ 35,900	$ 101,922
Containers, net	821,221	821,221
Net investment in direct finance leases	46,415	46,415
Total assets	1,000,601	1,066,623
Long-term debt (including current portion)	567,167	495,167
Total liabilities	657,024	585,024
Minority interest	95,071	95,071
Total shareholders equity	248,506	386,528

(1) EBITDA (defined as net income, before interest income and interest expense, realized and unrealized (gains) losses on derivative instruments, net, income tax expense, minority interest expense and depreciation and amortization expense) is not a financial measure calculated in accordance with U.S. generally accepted accounting principles (GAAP) and should not be considered as an alternative to net income, income from operations or any other performance measures derived in accordance with GAAP or as an alternative to cash flows from operating activities as a measure of our liquidity. EBITDA is presented solely as a supplemental disclosure because management believes that it may be a useful performance measure that is widely used within our industry. EBITDA is not calculated in the same manner by all companies and, accordingly, may not be an appropriate measure for comparison. We believe EBITDA provides useful information on our earnings from ongoing operations, on our ability to service our long-term debt and other fixed obligations, and on our ability to fund our continued growth with internally generated funds. EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our operating results or cash flows as reported under GAAP. Some of these limitations are:

It does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;

It does not reflect changes in, or cash requirements for, our working capital needs;

It does not reflect interest expense or cash requirements necessary to service interest or principal payments on our debt;

Although depreciation is a non-cash charge, the assets being depreciated may be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements;

It is not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows; and

Other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

The following is a reconciliation of net income to EBITDA:

	Six Months Ended June 30,		Fiscal Year Ended December 31,		
	2007	2006	2006	2005	2004
	(Dollars in thousands)				
	(Unaudited)				
Reconciliation of EBITDA:					
Net income	$ 33,314	$ 25,265	$ 56,281	$ 62,979	$ 53,594
Adjustments:					
Interest income	(1,377)	(1,021)	(2,286)	(1,086)	(399)
Interest expense	17,251	15,385	33,083	27,491	13,434
Realized and unrealized (gains) losses on derivative instruments, net	(1,519)	(4,607)	(2,274)	(4,535)	889
Income tax expense	2,775	2,061	4,299	4,662	4,011
Minority interest expense	9,150	10,277	19,499	22,393	15,382
Depreciation expense	23,391	29,625	54,330	60,792	48,321
Amortization expense	1,070		1,023		
EBITDA	$ 84,055	$ 76,985	$ 163,955	$ 172,696	$ 135,232

(2) Amounts for year ended December 31, 2006, 2005 and 2004, respectively, are audited.

(3) We measure utilization on the basis of containers on lease, using the actual number of days on hire, expressed as a percentage of containers available for lease, using the actual days available for lease. Prior to 2007, we calculated containers available for lease to include all containers in our fleet (Former Computation). Utilization figures in this prospectus for periods prior to 2007 are calculated in the latter manner. Starting in 2007, to conform to the method used by most of our competitors, we began calculating containers available for lease by excluding containers that have been manufactured for us but have not been delivered yet to a lessee and containers designated as held-for-sale units (New Computation).

(4) With the acquisition of the exclusive management rights over the Capital container fleet on July 23, 2007, we have over 2,000,000 TEU in our fleet.

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RISK FACTORS

An investment in our common shares involves a high degree of risk. You should carefully consider the following risk factors, together with the other information contained elsewhere in this prospectus, including our financial statements and the related notes, before investing in our common shares. Any of the risk factors we describe below could adversely affect our business, cash flows, results of operations and financial condition. The market price of our common shares could decline and you may lose some or all of your investment if one or more of these risks and uncertainties develop into actual events.

Risks Related to Our Business and Industry

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

Substantially all of our revenue comes from activities related to the leasing, managing and selling of containers. Our ability to continue successfully leasing containers to container shipping lines, earning management fees on leased containers and source capital required to purchase containers depends, in part, upon the continued demand for leased containers.

Demand for containers depends largely on the rate of world trade and economic growth, with worldwide consumer demand being the most critical factor affecting this growth. Economic downturns in the U.S., Europe and other countries with consumer-oriented economies could result in a reduction in world trade volume and demand by container shipping lines for leased containers. Thus, a decrease in the volume of world trade may adversely affect our utilization and per diem rates and lead to reduced revenue and increased operating expenses (such as storage and repositioning costs), and have an adverse effect on our financial performance. We cannot predict whether, or when, such downturns will occur.

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

- prices of new and used containers;
- economic conditions, competitive pressures and consolidation in the container shipping industry;
- shifting trends and patterns of cargo traffic;
- fluctuations in demand for containerable goods outside their area of production;
- the availability and terms of container financing;
- fluctuations in interest rates and foreign currency values;
- overcapacity, undercapacity and consolidation of container manufacturers;
- the lead times required to purchase containers;
- the number of containers purchased by competitors and container lessees;

container ship fleet overcapacity or undercapacity;

increased repositioning by container shipping lines of their own empty containers to higher demand locations in lieu of leasing containers;

consolidation or withdrawal of individual container lessees in the container leasing industry;

import/export tariffs and restrictions;

customs procedures, foreign exchange controls and other governmental regulations;

natural disasters that are severe enough to affect local and global economies or interfere with trade; and

other political and economic factors.

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

Lease rates may decrease, which could harm our business, results of operations and financial condition.

We compete mostly on price and availability of containers. Lease rates for our containers depend on a large number of factors, including the following:

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

Most of these factors are beyond our control. In addition, lease rates can be negatively impacted by the entrance of new leasing companies, overproduction of new containers by factories and over-buying by shipping lines, leasing competitors and tax-driven container investors. For example, during 2001 and again in the second quarter of 2005, overproduction of new containers, coupled with a build-up of container inventories in Asia by leasing companies and shipping lines, led to decreasing utilization rates. In the event that the container shipping industry were to be characterized by overcapacity in the future, or if available supply of containers were to increase significantly as a result of, among other factors, new companies entering the business of leasing and selling containers, both utilization and lease rates can be expected to decrease, thereby adversely affecting the revenues generated by our fleet, which could harm our business, results of operations and financial condition.

If we are unable to lease our new containers shortly after we purchase them, our risk of ownership of the containers increases.

Lease rates for new containers are positively correlated to the fluctuations in the price of new containers. Container prices can fluctuate greatly due to the factors discussed below. In the past five years, we have purchased containers at prices ranging from $1,138 per CEU to $2,396 per CEU. If we are unable to lease the new containers that we purchase within a short period of time of such purchase, the market price of new containers and the corresponding market lease rates for new containers may decrease, regardless of the high cost of the previously purchased containers. This decline could harm our business, results of operations and financial conditions.

Sustained reduction in prices of new containers could harm our business and results of operations.

If there is a sustained downturn in new container prices, the lease rates of older, off-lease containers would also be expected to decrease. As of June 30, 2007, we had an average cost of $1,620 per CEU for our owned fleet. If there is a sustained reduction in the price of new containers such that the market lease rate for all containers is reduced, this trend could harm our business and results of operations, notwithstanding the fact that we could purchase cheaper containers.

Further consolidation of container manufacturers or the disruption of manufacturing for the major manufacturers could result in higher new container prices and/or decreased supply of new containers. Any increase in the cost or reduction in the supply of new containers could harm our business, results of operations and financial condition.

We currently purchase almost all of our containers from manufacturers based in the PRC. If it were to become more expensive for us to procure containers in the PRC or to transport these containers at a low cost from the manufacturer to the locations where they are needed by our container lessees because of changes in exchange rates between the U.S. Dollar and Chinese Yuan, further consolidation among container suppliers, increased tariffs imposed by the U.S. or other governments, increased fuel costs, or for any other reason, we may have to seek alternative sources of supply. While we are not dependent on any single manufacturer, we may not be able to make alternative arrangements quickly enough to meet our container needs, and the alternative arrangements may increase our costs.

In particular, the availability and price of containers depend significantly on the capacity and bargaining position of the major container manufacturers. There has recently been a consolidation in the container manufacturing industry, resulting in two major manufacturers having market share of approximately 70% of that industry. This increased bargaining position has led to sustained increases in container prices. If the increased cost of purchasing containers is not matched by an increase in lease rates, our business, results of operations and financial conditions would be harmed.

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

Terrorist attacks and the threat of such attacks have contributed to economic instability in the U.S. and elsewhere, and further acts or threats of terrorism, violence, war or hostilities could similarly affect world trade and the industries in which we and our container lessees operate. For example, worldwide containerized trade dramatically decreased in the immediate aftermath of the September 11, 2001 terrorist attacks in the U.S., which affected demand for leased containers. In addition, terrorist attacks, threats of terrorism, violence, war or hostilities may directly impact ports, depots, our facilities or those of our suppliers or container lessees and could impact our sales and our supply chain. A severe disruption to the worldwide ports system and flow of goods could result in a reduction in the level of international trade and lower demand for our containers.

Our lease agreements require our lessees to indemnify us for all costs, liabilities and expenses arising out of the use of our containers, including property damage to the containers, damage to third-party property and personal injury. However, our lessees may not have adequate resources to honor their indemnity obligations upon a terrorist attack. Our insurance coverage is limited and is subject to large deductibles and significant exclusions and we have very limited insurance for liability arising from a terrorist attack. Accordingly, we may not be protected from liability (and expenses in defending against claims of liability) arising from a terrorist attack.

A substantial portion of our containers is leased out from or manufactured at locations in the PRC and a significant portion of our major shipping line customers is domiciled in either the PRC (including Hong Kong) or Taiwan. Therefore, our results of operations are subject to changes resulting from the political and economic policies of the PRC.

A substantial portion of our containers is leased out from locations in the PRC because of the large volume of goods being shipped from the PRC to the U.S. or Europe. The main manufacturers of containers are also located in the PRC. These business operations could be restricted by the political environment in the PRC. The

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PRC has operated as a socialist state since 1949 and is controlled by the Communist Party of China. In recent years, however, the government has introduced reforms aimed at creating a socialist market economy and policies have been implemented to allow business enterprises greater autonomy in their operations. Changes in the political leadership of the PRC may have a significant effect on laws and policies related to the current economic reform programs, other policies affecting business and the general political, economic and social environment in the PRC, including the introduction of measures to control inflation, changes in the rate or method of taxation, and the imposition of additional restrictions on currency conversion, remittances abroad, and foreign investment. Moreover, economic reforms and growth in the PRC have been more successful in certain provinces than in others, and the continuation of or increases in such disparities could affect the political or social stability of the PRC.

Although we believe that the economic reform and the macroeconomic measures adopted by the PRC have had a positive effect on the economic development of the PRC, the future direction of these economic reforms is uncertain. This uncertainty may affect the economic development in the PRC, thereby affecting the level of trade with the rest of the world and the corresponding need for containers to ship goods from the PRC. In addition, a large portion of our shipping line customers are domiciled either in the PRC (including Hong Kong) or in Taiwan. In fiscal year 2006, 33.3% of our revenue was attributable to shipping line customers that were either domiciled in the PRC (including Hong Kong) or in Taiwan. The manufacturing facilities of the container manufacturers from which we purchased all of our containers in 2006 are also located in the PRC. Political instability in either the PRC or Taiwan could have a negative effect on our major customers, our ability to obtain containers and correspondingly, our results of operations and financial condition.

The legal system in the PRC has inherent uncertainties that could limit the legal protections available to us.

We currently purchase all of our containers from manufacturers based in the PRC. In addition, a substantial portion of our containers is leased out from locations in the PRC. California law governs almost all of these agreements. However, disputes or settlements arising out of these agreements may need to be enforced in the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in the PRC. However, since these laws and regulations are relatively new and the PRC legal system continues to evolve, the interpretations of many laws, regulations and rules are not always uniform and may be subject to considerable discretion, variation, or influence by external forces unrelated to the legal merits of a particular matter. The enforcement of these laws, regulations, and rules involves uncertainties that may limit remedies available to us. Any litigation or arbitration in the PRC may be protracted and may result in substantial costs and diversion of resources and management attention. In addition, the PRC may enact new laws or amend current laws that may be detrimental to us, which may have a material adverse effect on our business operations. If we are unable to enforce any legal rights we may have under our contracts or otherwise, our ability to compete and our results of operations could be harmed.

The demand for leased containers is partially tied to international trade. If this demand were to decrease due to increased barriers to trade, or for any other reason, it could reduce demand for intermodal container leasing, which would harm our business and financial condition.

A substantial portion of our containers is used in trade involving goods being shipped from the PRC to the United States, Europe or other regions. The willingness and ability of international consumers to purchase PRC goods is dependent on political support, in the United States, Europe and other countries, for an absence of government-imposed barriers to international trade in goods and services. For example, international consumer demand for PRC goods is related to price; if the price differential between PRC goods and domestically-produced goods were to decrease due to increased tariffs on PRC goods, demand for PRC goods could decrease, which could result in reduced demand for intermodal container leasing. A similar reduction in demand for intermodal container leasing could result from an increased use of quotas or other technical barriers to restrict trade from or to the PRC. The current regime of relatively free trade may not continue.

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Because substantially all of our revenues are generated in U.S. dollars, but a significant portion of our expenses are incurred in other currencies, exchange rate fluctuations could have an adverse impact on our results of operations.

The U.S. dollar is our primary operating currency and substantially all of our revenues are generated in U.S. dollars. However, a significant portion of our expenses are incurred in other currencies. This difference could lead to fluctuations in net income due to changes in the value of the U.S. dollar relative to the other currencies. For the years ended December 31, 2006, 2005 and 2004, 41%, 34% and 36%, respectively, of our direct container expenses were paid in 15 different foreign currencies. A decrease in the value of the U.S. dollar against foreign currencies in which our expenses are incurred translates into an increase in those expenses in U.S. dollar terms, which would decrease our net income.

Sustained Asian economic instability could reduce demand for leasing, which would harm our business and financial condition.

Many of our customers are substantially dependent upon shipments of goods exported from Asia. From time to time, there have been health scares, such as Severe Acute Respiratory Syndrome and avian flu, financial turmoil, natural disasters and political instability in Asia. If these events were to occur in the future, they could adversely affect our container lessees and the general demand for shipping and lead to reduced demand for leased containers or otherwise adversely affect us. Any reduction in demand for leased containers would harm our business, results of operations and financial condition.

We own a large and growing number of containers in our fleet and are subject to significant ownership risk.

Ownership of containers entails greater risk than management of containers for container investors. As we increase the number of containers in our owned fleet, we will increase our exposure to financing costs, changes in per diem rates, re-leasing risk, changes in utilization rates, lessee defaults, repositioning costs, storage expenses, impairment charges and changes in sales price upon disposition of containers. The number of containers in our owned fleet fluctuates over time as we purchase new containers, sell containers into the secondary resale market, and acquire other fleets. As part of our strategy, we are focused on increasing the number of owned containers in our fleet and therefore, we expect our ownership risk to increase correspondingly. We paid $104.8 million to purchase containers for our owned fleet in 2006 and we expect to purchase approximately $190.0 million to $194.0 million of new containers in 2007. We believe we will be able to find container investors to purchase the desired portion of the new containers that we want to manage. If we are unable to locate container investors to purchase these containers, we may purchase the containers ourselves and operate them as part of our owned fleet.

As we increase the number of containers in our owned fleet, we will have significant capital at risk and may need to have more debt, which could result in financial instability.

As we increase the number of containers in our owned fleet, either as a result of planned growth in our owned fleet or as a result of our inability to attract investment to purchase containers from container investors, we will likely have more capital at risk and may need to maintain higher debt balances at a level that may adversely affect our return on equity and reduce our ability to raise capital, including our ability to borrow money to continue expanding our owned fleet. Future borrowings may not be available under our debt facilities and we may not be able to refinance these facilities, if necessary, on commercially reasonable terms or at all. We may need to raise additional debt or equity capital in order to fund our business, expand our sales activities and/or respond to competitive pressures. We may not have access to the capital resources we desire or need to fund our business. These effects, among others, may reduce our profitability and adversely affect our plans to maintain the container management portion of our business.

If we are unable to finance continued purchase of containers, our competitive position may diminish and our results of operation may be harmed.

Our container lessees typically prefer newer containers. Also, a portion of our container fleet is disposed of due to age or other factors every year. To stay competitive we must continually add new containers to our fleet. If we are unable to make the necessary capital expenditures, our fleet of containers may be less attractive to our container lessees and our business, results of operations and financial condition could suffer.

We derive a substantial portion of our revenue from each of our container ownership and container resale segments from a limited number of container lessees, and the loss of, or reduction in business by, any of these container lessees could harm our business and financial condition.

We have derived, and believe that we will continue to derive, a significant portion of our revenue and cash flow from a limited number of container lessees. Our business comprises four reportable segments for financial statement reporting purposes: container ownership, container management, container resale and military management. Revenue for our container ownership segment comes primarily from container lessees that lease containers from our owned fleet. Revenue for our container management segment is also primarily dependent on the lease revenue of those containers that we manage. Revenue from our 25 largest container lessees by revenue represented $259.0 million or 80.7% of the total fleet container for the fiscal year ended December 31, 2006, with revenue from our single largest container lessee accounting for $28.9 million, or 9.0% of container leasing revenue during such period.

We do not distinguish between our owned fleet and our managed fleet when we enter into leases with or lease containers to container shipping lines. Accordingly, the largest lessees of our owned fleet are typically among the largest lessees of our managed fleet, and our management fee revenue is based on the number and performance of managed containers on lease to container lessees. As a result, the loss of, or default by, any of our largest container lessees could have a material adverse effect on the revenue for both our container ownership segment and our container management segment, and could harm our business, results of operations and financial condition.

We face extensive competition in the container leasing industry.

We may be unable to compete favorably in the highly competitive container leasing and container management businesses. We compete with a relatively small number of major leasing companies, many smaller lessors, companies and financial institutions offering finance leases, and promoters of container ownership and leasing as a tax-efficient investment. In addition, the shipping lines own a significant amount of the world s intermodal containers and effectively compete with us. Some of these competitors have greater financial resources and access to capital than we do. Additionally, some of these competitors may have large, underutilized inventories of containers, which could, if leased, lead to significant downward pressure on per diem rates, margins and prices of containers. Competition among container leasing companies depends upon many factors, including, among others: per diem rates; supply reliability; lease terms, including lease duration, drop-off restrictions and repair provisions; customer service; and the location, availability, quality and individual characteristics of containers. New entrants into the leasing business have been attracted by the high rate of containerized trade growth and the extent of investment from a number of container investors in recent years. New entrants may be willing to offer pricing or other terms that we are unwilling or unable to match. Shipping lines may prefer to use containers they own instead of leasing containers from us. As a result, we may not be able to maintain a high utilization rate or achieve our growth plans.

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

Our ability to enforce lessees obligations may be subject to applicable law in the jurisdiction in which enforcement is sought or the country of domicile of the lessee. As containers are predominantly located on international waterways and the lessees domiciled in many different countries, it is not possible to predict, with

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any degree of certainty, the jurisdictions in which enforcement proceedings may be commenced. For example, repossession from defaulting lessees may be difficult and more expensive in jurisdictions in which laws do not confer the same security interests and rights to creditors and lessors as those in the U.S. and in jurisdictions where recovery of containers from defaulting lessees is more cumbersome. As a result, the relative success and expedience of enforcement proceedings with respect to containers in various jurisdictions cannot be predicted.

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

- regional or local economic downturns;
- fluctuations in currency exchange rates;
- changes in governmental policy or regulation;
- restrictions on the transfer of funds or other assets into or out of different countries;
- import and export duties and quotas;
- domestic and foreign customs and tariffs;
- war, hostilities and terrorist attacks, or the threat of any of these events;
- government instability;
- nationalization of foreign assets;
- government protectionism;
- compliance with export controls, including those of the U.S. Department of Commerce;
- compliance with import procedures and controls, including those of the U.S. Department of Homeland Security;
- consequences from changes in tax laws, including tax laws pertaining to the container investors;
- potential liabilities relating to foreign withholding taxes;

- labor or other disruptions at key ports;

- difficulty in staffing and managing widespread operations; and

- restrictions on our ability to own or operate subsidiaries, make investments or acquire new businesses in various jurisdictions.

One or more of these factors or other related factors may impair our current or future international operations and, as a result, harm our business, results of operations and financial condition.

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

The efficient operation of our business is highly dependent on our proprietary information technology systems. We rely on our systems to record transactions, such as repair and depot charges and changes to book value, and movements associated with each of our owned or managed containers. We use the information provided by these systems in our day-to-day business decisions in order to effectively manage our lease portfolio, reduce costs and improve customer service. We also rely on these systems for the accurate tracking of the performance of our managed fleet for each container investor. The failure of our systems to perform as we expect could disrupt our business, adversely affect our results of operations and cause our relationships with lessees and container investors to suffer. Our information technology systems are vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, power loss and computer systems failures and viruses. Even though we have developed redundancies and other contingencies to mitigate any disruptions to our information technology systems, these redundancies and contingencies may not completely prevent interruptions to our information technology systems. Any such interruptions could harm our business, results of operations and financial condition.

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

We primarily lease containers to container shipping lines. We believe container shipping lines require a quantity of containers equal to just under two times the total TEU capacity on their container ships to support their operations. The container shipping lines have historically relied on a large number of leased containers to satisfy their needs. Consolidation of major container shipping lines could create efficiencies and decrease the demand that container shipping lines have for leased containers because they may be able to fulfill a larger portion of their needs through their owned container fleets. Consolidation could also create concentration of credit risk if the number of our container lessees decreases. Additionally, large container shipping lines with significant resources could choose to manufacture their own containers, which would decrease their demand for leased containers and could harm our business, results of operations and financial condition.

We may incur significant costs to reposition our containers, which could harm our business, results of operations and financial condition.

When lessees return containers to locations where supply exceeds demand, we sometimes reposition containers to higher demand areas. Repositioning expenses vary depending on geographic location, distance, freight rates and other factors, and may not be fully covered by drop-off charges collected from the previous lessee of the containers or pick-up charges paid by the new lessee. We seek to limit the number of and impose surcharges on containers returned to low demand locations. Market conditions, however, may not enable us to continue such practices. In addition, we may not be able to accurately anticipate which locations will be characterized by higher or lower demand in the future, and our current contracts will not protect us from repositioning costs if locations that we expect to be higher demand locations turn out to be lower demand locations at the time the containers are returned. Any such increases in costs to reposition our containers could harm our business, results of operations and financial condition.

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

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

Our cash in-flows from containers, principally container rental revenue, management fee revenue, gain on disposition of used equipment and commissions earned on the sale of containers on behalf of container investors, are affected significantly by our ability to collect payments under leases and purchase and sale agreements, which is subject to external economic conditions and the operations of lessees and others that are not within our control.

When lessees default, we may fail to recover all of our containers and the containers we do recover may be returned to locations where we will not be able to quickly re-lease or sell them on commercially acceptable terms. We may have to reposition these containers to other places where we can re-lease or sell them, which could be expensive depending on the locations and distances involved. Following repositioning, we may need to

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repair the containers and pay container depots for storage until the containers are re-leased. For our owned containers, these costs will directly reduce our income before taxes and for our managed containers, lessee defaults will decrease rental revenue and increase operating expenses, and thus reduce our management fee revenue. While we maintain insurance to cover some defaults, it is subject to large deductible amounts and significant exclusions and, therefore, may not be sufficient to prevent us from suffering material losses. Additionally, this insurance might not be available to us in the future on commercially reasonable terms or at all. While defaults by lessees, as measured by our experience and reflected on our financial statements as a bad debt expense, averaged less than 1% of lease rental revenue over the past 13 years, future defaults may be more material and any such future defaults could harm our business, results of operations and financial condition.

U.S. investors in our company could suffer adverse tax consequences if we are characterized as a passive foreign investment company for U.S. federal income tax purposes.

Based upon the nature of our business activities, we may be classified as a passive foreign investment company (PFIC) for U.S. federal income tax purposes. Such characterization could result in adverse U.S. tax consequences to direct or indirect U.S. investors in our common shares. For example, if we are a PFIC, our U.S. investors could become subject to increased tax liabilities under U.S. tax laws and regulations and could become subject to burdensome reporting requirements. The determination of whether or not we are a PFIC is made on an annual basis and will depend on the composition of our income and assets from time to time. Specifically, for any taxable year we will be classified as a PFIC for U.S. tax purposes if either:

- 75% or more of our gross income in a taxable year is passive income, or

- the average percentage of our assets (which includes cash) by value in a taxable year which produce or are held for the production of passive income is at least 50%.

In applying these tests, we are treated as owning or generating directly our pro rata share of the assets and income of any corporation in which we own at least 25% by value. In addition, the composition of our income and assets will be affected by how, and how quickly, we spend the cash we raise in this offering.

If you are a U.S. investor and we are a PFIC for any taxable year during which you own our common shares, you could be subject to adverse U.S. tax consequences. Under the PFIC rules, unless a U.S. investor is permitted to and does elect otherwise under the Internal Revenue Code, such U.S. investor would be liable to pay U.S. federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our common shares, as if the excess distribution or gain had been recognized ratably over the investor s holding period for our common shares. Based on the composition of our income, valuation of our assets (including goodwill), and our expected election to treat certain of our subsidiaries as disregarded entities for U.S. federal income tax purposes, we do not expect that we should be treated as a PFIC for our current taxable year. However, there can be no assurance at all in this regard. Because the PFIC determination is highly fact intensive and made at the end of each taxable year, it is possible that we may be a PFIC for the current or any future taxable year or that the IRS may challenge our determination concerning our PFIC status. See Material United States and Bermuda Income Tax Consequences United States Federal Income Tax Consequences Taxation of U.S. Holders Passive Foreign Investment Company for a more detailed discussion.

We may become subject to unanticipated tax liabilities that may have a material adverse effect on our results of operations.

We are a Bermuda company, and we believe that a significant portion of the income derived from our operations will not be subject to tax in Bermuda, which currently has no corporate income tax, or in many other countries in which we conduct activities or in which our customers are located. However, this belief is based on the anticipated nature and conduct of our business, which may change. It is also based on our understanding of our position under the tax laws of the countries in which we have assets or conduct activities. This position is subject to review and possible challenge by taxing authorities and to possible changes in law that may have retroactive effect.

One of our non-U.S. subsidiaries, Textainer Limited, earns income that is effectively connected with its conduct of a trade or business within the U.S., and such effectively connected income is subject to U.S. federal income tax. We believe that we and the rest of our non-U.S. subsidiaries conduct our operations so that we and the rest of our non-U.S. subsidiaries are not engaged in a trade or business within the U.S. and therefore do not earn effectively connected income that would be subject to U.S. federal income tax. However, it is possible that the U.S. Internal Revenue Service may conclude that we and the rest of our non-U.S. subsidiaries are engaged in a U.S. trade or business and earn effectively connected income that is subject to U.S. federal income tax. Our results of operations could be materially and adversely affected if we become subject to a significant amount of unanticipated tax liabilities. See Material United States and Bermuda Income Tax Consequences United States Federal Income Tax Consequences Taxation of the Companies and Material Bermuda and United States Federal Income Tax Consequences Bermuda Tax Consequences Taxation of the Companies.

Our U.S. subsidiaries may be treated as personal holding companies for U.S. federal tax purposes now or in the future.

Any of our direct or indirect U.S. subsidiaries could be subject to additional U.S. tax on a portion of its income if it is considered to be a personal holding company (PHC) for U.S. federal income tax purposes. This status depends on whether more than 50% of the subsidiary s shares by value could be deemed to be owned (taking into account constructive ownership rules) by five or fewer individuals and whether 60% or more of the subsidiary s adjusted ordinary gross income consists of personal holding company income, which includes certain forms of passive and investment income. The PHC rules do not apply to non-U.S. corporations. We believe that none of our U.S. subsidiaries should be considered PHCs. In addition, we intend to cause our U.S. subsidiaries to manage their affairs in a manner that reduces the possibility that they will meet the 60% income threshold. However, because of the lack of complete information regarding our ultimate share ownership (*i.e.*, particularly as determined by constructive ownership rules), our U.S. subsidiaries may become PHCs following this offering or in the future and in that event, the amount of U.S. federal income tax that would be imposed could be material. See Material United States and Bermuda Income Tax Consequences United States Federal Income Tax Consequences Taxation of the Companies U.S. Subsidiaries.

The U.S. government has special contracting requirements which create additional risks.

We have entered into a firm, fixed price, indefinite quantity contract with the Surface Deployment and Distribution Command (SDDC) to supply leased marine containers to the U.S. military. As an indefinite quantity contract, there is no guarantee that the U.S. military will pay more than the minimum guarantee, which guaranteed amount is substantially below the total amount authorized under the contract. Thus, the expected revenues from the SDDC contract may not fully materialize. In addition, there is no guarantee that the U.S. military will exercise any option terms beyond those currently exercised or that we will be awarded additional periods (the award terms) in years 6 through 10 of the SDDC contract, which award is also subject to us performing at a certain level under the contract. If we do not perform in accordance with the terms of the SDDC contract, we may receive a poor performance report that would be considered by the U.S. military in exercising its options to extend the term of the contract and in making any future awards. Accordingly, we cannot be certain that the term of the SDDC contract will be extended or that we will be awarded any future government contracts.

In contracting with the U.S. military, we are subject to U.S. government contract laws, regulations and other requirements that impose risks not generally found in commercial contracts. For example, U.S. government contracts require contractors to comply with a number of socio-economic requirements and to submit periodic reports regarding compliance, are subject to audit and modification by the U.S. government in its sole discretion, and impose certain requirements relating to software and/or technical data that, if not followed, could result in the inadvertent grant to the U.S. government of broader licenses to use and disclose such software or data than we intended.

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These laws, regulations and contract provisions also permit, under certain circumstances, the U.S. government unilaterally to:

- suspend or prevent us for a set period of time from receiving new government contracts or extending existing contracts based on violations or suspected violations of laws or regulations;
- terminate the SDDC contract;
- reduce the scope and value of the SDDC contract;
- audit our performance under the SDDC contract and our compliance with various regulations; and
- change certain terms and conditions in the SDDC contract.

In addition, the U.S. military may terminate the SDDC contract either for its convenience at any time or if we default by failing to perform in accordance with the contract schedule and terms. Termination for convenience provisions generally enable the contractor to recover only those costs incurred or committed, and settlement expenses and profit on the work completed prior to termination. Termination for default provisions do not permit these recoveries and make the contractor liable for excess costs incurred by the U.S. military in procuring undelivered items from another source.

In addition, the U.S. government could bring criminal and civil charges against us based on intentional or unintentional violations of the representations and certifications that we have made in the SDDC contract. Although adjustments arising from U.S. government audits and reviews have not seriously harmed our business in the past, future audits and reviews could cause adverse effects. We could also suffer serious harm to our reputation if allegations of impropriety were made against us.

Gains and losses associated with the disposition of used equipment may fluctuate and adversely affect our business, results of operations and financial condition.

We regularly sell used containers at the end of their useful economic lives in marine service or when it is financially attractive for us to do so, considering the location, sale price, cost of repair, and possible repositioning expenses. The residual value of these containers affects our profitability. The volatility of the residual values of used containers may be significant. These values depend upon, among other factors, demand for used containers for secondary purposes, comparable new container costs, used container availability, condition and location of the containers, and market conditions. Most of these factors are outside of our control.

Containers are typically sold if it is in the best interest of the owner to do so after taking into consideration the prevailing sales price, as affected by the above factors, location, earnings prospects, remaining useful life, repair condition, and suitability for leasing or other uses. Gains or losses on the disposition of used container equipment and the sales fees earned on the disposition of managed containers will also fluctuate and may be significant if we sell large quantities of used containers. Any such fluctuations could harm our business, results of operations and financial condition. See Management s Discussion and Analysis of Financial Condition and Results of Operations for a discussion of our gains or losses on the disposition of used container equipment.

We may choose to pursue acquisitions or joint ventures that could present unforeseen integration obstacles or costs.

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

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

difficulty integrating personnel and financial and other systems;

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- hiring additional management and other critical personnel; and

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

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

A reduction in the willingness of container investors to have us manage their containers could adversely affect our business, results of operations and financial condition.

A significant percentage of our revenue is attributable to management fees earned on services related to the leasing of containers owned by container investors. This revenue has very low direct operating costs associated with it. Accordingly, fluctuations in our management fee revenue in any period will have an impact on our profitability in that period. Our ability to continue to attract new management contracts depends upon a number of factors, including our ability to lease containers on attractive lease terms and to efficiently manage the repositioning, storage and disposition of containers. In the event container investors perceive another container leasing company as better able to provide them with a stable and attractive rate of return, we may lose management contract opportunities in the future, which could affect our business, results of operations and financial condition.

Our senior executives are critical to the success of our business and any inability to retain them or recruit new personnel could harm our business, results of operations and financial condition.

Our senior management has a long history in the container leasing industry, with our four most senior officers having an average of approximately 15 years of service with us and an average of 21 years in the container leasing industry. We rely on this knowledge and experience in our strategic planning and in our day-to-day business operations. Our success depends in large part upon our ability to retain our senior management, the loss of one or more of whom could have a material adverse effect on our business. Our success also depends on our ability to retain our experienced sales force and technical personnel as well as recruiting new skilled sales, marketing and technical personnel. Competition for these individuals in our industry is intense and we may not be able to successfully recruit, train or retain qualified personnel. If we fail to retain and recruit the necessary personnel, our business and our ability to obtain new container lessees and provide acceptable levels of customer service could suffer. We have employment agreements with all of our executive officers.

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

We may be subject to regulations promulgated in various countries, including the U.S., seeking to protect the integrity of international commerce and prevent the use of containers for international terrorism or other illicit activities. For example, the Container Security Initiative, the Customs-Trade Partnership Against Terrorism and Operation Safe Commerce are among the programs administered by the U.S. Department of Homeland Security that are designed to enhance security for cargo moving throughout the international transportation system by identifying existing vulnerabilities in the supply chain and developing improved methods for ensuring the security of containerized cargo entering and leaving the U.S. Moreover, the International Convention for Safe Containers, 1972 (CSC), as amended, adopted by the International Maritime Organization, applies to new and existing containers and seeks to maintain a high level of safety of human life in the transport and handling of containers by providing uniform international safety regulations. As these regulations develop and change, we may incur compliance costs due to the acquisition of new, compliant containers and/or the adaptation of existing containers to meet new requirements imposed by such regulations. Additionally, certain companies are currently developing or may in the future develop products designed to enhance the security of containers transported in international commerce. Regardless of the existence of current or future government regulations mandating the

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safety standards of intermodal shipping containers, our competitors may adopt such products or our container lessees may require that we adopt such products. In responding to such market pressures, we may incur increased costs, which could have a material adverse effect on our business, results of operations and financial condition.

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

We currently utilize three types of borrowings: (i) issuance of bonds; (ii) borrowings under a revolving credit facility and (iii) borrowings under a secured debt facility. Our revolving credit facility is a bank revolving facility involving a commitment to one of our subsidiaries, Textainer Limited, of $75.0 million. Our secured debt facility is a conduit facility, which allows for recurring borrowings and repayments, granted to a subsidiary of Textainer Limited, Textainer Marine Containers Limited. Textainer Marine Containers Limited is also the issuer of our bonds. We have typically funded a significant portion of the purchase price of new containers through borrowings under our revolving and secured debt facilities and intend to continue to do so in the future. Containers are purchased by Textainer Limited using proceeds of our revolving credit facility. Textainer Limited then sells these containers at book value to Textainer Marine Containers Limited, which then finances part of the purchase price with draw downs from our secured debt facility. In 2001 and again in 2005, at such time as the secured debt facility reached an appropriate size, it was refinanced through the issuance of bonds to institutional investors. We anticipate a similar refinancing at such time as the secured debt facility reaches a balance of between $300.0 million and, if we are able to increase the commitment under the secured debt facility, $500.0 million. This timing will depend on the level of future purchases of containers for our owned fleet.

As of June 30, 2007, we had outstanding borrowings of $16.0 million under our revolving credit facility, $92.0 million under our secured debt facility and $459.2 million of bonds payable. We expect that we will maintain a significant amount of indebtedness on an ongoing basis.

Payments of principal on our secured debt facility are not due until a conversion event, although we have the option of repaying the principal on those borrowings at any time. If we do not refinance the secured debt facility prior to June 6, 2008, a conversion event will occur, resulting in an increased interest rate and a need to make monthly principal payments. Payments of principal on our bonds are due monthly, although we may not prepay these bonds before June 15, 2008. The borrowings under our revolving credit facility do not amortize prior to January 31, 2009, although we have the option of repaying principal prior to that date. If we do not refinance our revolving credit facility prior to January 31, 2009, those borrowings will then become subject to an increased interest rate and we will need to make monthly principal payments. There is no assurance that we will be able to refinance our outstanding indebtedness, or if refinancing is available, that it can be obtained on terms that we can afford. See Description of Indebtedness for further discussions on our borrowings.

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

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

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

- reduce our ability to make acquisitions or expand our business;

- make it more difficult for us to satisfy our debt obligations, and any failure to comply with such obligations, including financial and other restrictive covenants, could result in an event of default under the agreements governing such indebtedness, which could lead to, among other things, an acceleration of our indebtedness or foreclosure on the assets securing our indebtedness, which could have a material adverse effect on our business or financial condition;

- limit our ability to borrow additional funds, or to sell assets to raise funds, if needed, for working capital, capital expenditures, acquisitions or other purposes; and

- increase our vulnerability to general adverse economic and industry conditions, including changes in interest rates.

We may not generate sufficient cash flow from operations to service and repay our debt and related obligations and have sufficient funds left over to achieve or sustain profitability in our operations, meet our working capital and capital expenditure needs or compete successfully in our industry.

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

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

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

Our revolving credit facility and secured debt facility and our bonds impose, and the terms of any future indebtedness may impose, significant operating, financial and other restrictions on us and our subsidiaries.

Restrictions imposed by our revolving credit facility and secured debt facility and our bonds may limit or prohibit, among other things, our ability to:

- incur additional indebtedness;
- pay dividends on or redeem or repurchase our common shares;
- enter into new lines of business;
- issue capital stock of our subsidiaries;
- make loans and certain types of investments;
- incur liens;
- sell certain assets or merge with or into other companies or acquire other companies;
- enter into certain transactions with shareholders and affiliates; and

restrict dividends, distributions or other payments from our subsidiaries.

We are also required to comply with certain financial ratio covenants. See Description of Indebtedness for further details on our financial ratio covenants. These restrictions could adversely affect our ability to finance our future operations or capital needs and pursue available business opportunities. A breach of any of these restrictions, including a breach of financial covenants, could result in a default in respect of the related indebtedness. If a default occurs, the relevant lenders could elect to declare the indebtedness, together with accrued interest and fees, to be immediately due and payable and proceed against any collateral securing that indebtedness, which will constitute substantially all of our container assets.

If we are unable to enter into interest rate caps and swaps on reasonable commercial terms, our exposure associated with our variable rate debt could increase.

We have typically funded a significant portion of the purchase price of new containers through borrowings under our revolving and secured debt facilities and intend to continue to do so in the future.

In 2001 and again in 2005, at such time as the secured debt facility reached an appropriate size, the facility was refinanced through the issuance of bonds. We anticipate a similar refinancing at such time as the secured debt facility reaches a balance of between $300.0 million and, if we are able to increase the secured debt facility commitment, $500.0 million. As of June 30, 2007, we had outstanding borrowing of $16.0 million under our revolving credit facility, $92.0 million under our secured debt facility and $459.2 million under our bonds payable, all of which are subject to variable interest rates. We have entered into various interest rate cap and swap agreements to mitigate our exposure associated with variable rate debt. The swap agreements involve payments by us to counterparties at fixed rates in return for receipts based upon variable rates indexed to the London Inter Bank Offered Rate (LIBOR). Our interest rate swap agreements have expiration dates between November 2007 and December 2010. Our interest rate cap agreements have expiration dates between October 2007 and November 2015. There can be no assurance that these interest rate caps and swaps will be available in the future, or if available, will be on terms satisfactory to us. If we are unable to obtain such interest rate caps and swaps, our exposure associated with our variable rate debt could increase.

Environmental liability may adversely affect our business, results of operations and financial condition.

We are subject to federal, state, local and foreign laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants to air, ground and water, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. We could incur substantial costs, including cleanup costs, fines and costs arising out of third-party claims for property or natural resource damage and personal injury, as a result of violations of or liabilities under environmental laws and regulations in connection with our or our lessees current or historical operations. Under some environmental laws in the U.S. and certain other countries, the owner or operator of a container may be liable for environmental damage, cleanup or other costs in the event of a spill or discharge of material from the container without regard to the fault of the owner or operator. While we typically maintain certain limited liability insurance and typically require lessees to provide us with indemnity against certain losses, the insurance coverage may not be sufficient to protect against any or all liabilities and such indemnities may not be sufficient, or available, to protect us against losses arising from environmental damage. Moreover, our lessees may not have adequate resources, or may refuse to honor their indemnity obligations and our insurance coverage is subject to large deductibles, coverage limits and significant exclusions.

We could face litigation involving our management of containers for container investors.

We manage containers for container investors under management agreements that are negotiated with each container investor. We make no assurances to container investors that they will make any amount of profit on their investment or that our management activities will result in any particular level of income or return of their initial capital. We believe that as the number of containers that we manage for container investors increases, the possibility that we may be drawn into litigation relating to these managed containers may also increase. Although our management agreements contain contractual protections and indemnities that are designed to limit our exposure to such litigation, such provisions may not be effective and we may be subject to a significant loss in a successful litigation by a container investor. In addition, we currently are in litigation regarding prior management of assets for certain terminated limited partnerships. See Business Legal Proceedings .

Certain liens may arise on our containers.

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

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We may not always pay dividends on our common shares.

We may not be able to pay future dividends because they depend on future earnings, capital requirements, and financial condition. The declaration and payment of future dividends is at the discretion of our board of directors and will be dependent on our future operating results and the cash requirements of our business. There are a number of factors that can affect our ability to pay dividends and there is no guarantee that we will pay dividends in any given year. In addition, we will not pay dividends in the event we are not allowed to do so under Bermuda law, are in default under (or such payment would cause a default under) our revolving credit facility, or if such payment would cause us to breach any of our covenants. These covenants include certain financial covenants, which would be directly affected by the payment of dividends, such as (i) a minimum net worth level (which level would decrease by the amount of any dividend paid), (ii) a maximum ratio of consolidated funded debt to consolidated tangible net worth (which amount would decrease by the amount of any dividend paid) and (iii) a minimum ratio of certain income (which amount would decrease by the amount of any dividend paid) to current obligations. The reduction or elimination of dividends may negatively affect the market price of our common shares. Please see Description of Indebtedness Credit Facility for a description of these covenants and Description of Share Capital Dividend Rights for the limitations under Bermuda law. Furthermore, since we are a holding company, substantially all of the assets shown on our consolidated balance sheet are held by our subsidiaries. Accordingly, our earnings and cash flow and our ability to pay dividends are largely dependent upon the earnings and cash flows of our subsidiaries and the distribution or other payment of such earnings to us in the form of dividends.

Risks Related to this Offering

Our common shares have no public market, and an active trading market may not develop.

Prior to this offering, there has not been a market for our common shares. Although our application to have the common shares listed on the New York Stock Exchange (NYSE) has been approved, an active trading market in our common shares might not develop or continue. If you purchase shares in this offering, you will pay a price that was not established in a competitive market. Rather, you will pay a price that was determined through negotiations with the representative of the underwriters based upon an assessment of the valuation of our shares and a book-building process. The public market may not agree with or accept this valuation, in which case you may not be able to sell your shares at or above the initial public offering price.

The market price and trading volume of our shares may be volatile and may be affected by market conditions beyond our control.

Even if an active trading market for the shares develops, the market price of our shares may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our common shares may fluctuate and cause significant price variations to occur. If the market price of the shares declines significantly, you may be unable to resell your shares at or above your purchase price, if at all. The market price of our shares may fluctuate or decline significantly in the future. Some of the factors that could negatively affect our shares price or result in fluctuations in the price or trading volume of our shares include:

- variations in our quarterly operating results;
- failure to meet our earnings estimates;
- publication of research reports about us, other intermodal container lessors or the container shipping industry or the failure of securities analysts to cover our shares or our industry after this offering;
- additions or departures of key management personnel;
- adverse market reaction to any indebtedness we may incur or preference or common shares we may issue in the future;

changes in our dividend payment policy or failure to execute our existing policy;

- actions by shareholders;
- changes in market valuations of similar companies;
- announcements by us or our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments;
- speculation in the press or investment community; and
- changes or proposed changes in laws or regulations affecting the container shipping industry or enforcement of these laws and regulations, or announcements relating to these matters.

In the past, the stock market has experienced extreme price and volume fluctuations. These market fluctuations could result in extreme volatility in the trading price of the shares, which could cause a decline in the value of your investment. You should also be aware that price volatility may be greater if the public float and trading volume of our shares are low.

One of our shareholders, Halco, a company owned by a trust in which Trencor and certain of its affiliates are the sole discretionary beneficiaries, has and will continue to have substantial control over us after this offering and could act in a manner with which other shareholders may disagree or that is not necessarily in the interests of other shareholders.

Halco currently beneficially owns approximately 71.7% of our issued and outstanding common shares. After taking into account this offering, including the full exercise of the over-allotment option by the underwriters, and assuming that Halco purchases 2,100,000 common shares in this offering, based upon beneficial ownership of our issued and outstanding common shares as of October 5, 2007, Halco will beneficially own approximately 60.8% of our issued and outstanding common shares. These shares will not be purchased unless the offering to the public is consummated. Halco is not under any obligation to purchase any shares in this offering and its interest in purchasing shares in this offering is not a commitment to do so. These shares, if purchased, will be subject to the 180 day lock-up agreement that Halco signed with the representatives of the underwriters in connection with this offering. Accordingly, Halco has and will continue to have the ability to influence the outcome of matters submitted to our shareholders for approval, including the election of directors and any amalgamation, merger, consolidation or sale of all or substantially all of our assets. Six of our eleven directors are also directors of Trencor. In addition, Halco will have the ability to control the management and affairs of our company. Halco may have interests that are different from yours. For example, it may support proposals and actions with which you may disagree or which are not in your interests as a shareholder of our company. The concentration of ownership could delay or prevent a change in control of us or otherwise discourage a potential acquiror from attempting to obtain control of us, which in turn could reduce the price of our common shares.

Affiliates of Halco and Trencor may compete with us and compete with some of our customers.

Halco and Trencor, through their affiliates, are free to compete with us, and have engaged in the past and will likely continue to engage in businesses that are similar to ours. In particular, Leased Assets Pool Company Limited (LAPCO), an affiliate of Halco, owns containers, has competed against us and our customers through its investment in containers and has used our competitors to manage some of its containers in the past. Thus, although we have a management agreement with LAPCO to manage a majority of its containers, we expect that we will continue to compete with LAPCO in the future, which may result in various conflicts of interest.

Our current management and share ownership structure may create conflicts of interest.

Six of our eleven directors are also directors of Trencor. These directors owe fiduciary duties to each company and may have conflicts of interest in matters involving or affecting us and Trencor, including matters arising under our agreements with Trencor and its affiliates. In addition, to the extent that some of these directors may own shares in Trencor, they may have conflicts of interest when faced with decisions that could have different implications for Trencor than they do for us. Furthermore, Trencor, as a South African company, endorses for itself and for its subsidiaries, the Code of Corporate Practices and Conduct in the King II Report on Corporate Governance. The King II Report on Corporate Governance is a document promulgated by the South African Institute of Directors which, among other things, suggests that corporations in their corporate decision-making consider the following stakeholders in addition to the owners of shares: parties who contract with the enterprise; parties who have a non-contractual nexus with the enterprise (including civic society and the environment); and the state. Trencor may seek to or be required to impose these corporate governance practices on us, which may result in constraints on management and may involve significant costs. Your interests as a shareholder of Textainer may not align with the interests of Trencor and its affiliates and shareholders.

We are a holding company with no material direct operations and rely on our operating subsidiaries to provide us with funds necessary to meet our financial obligations and to pay dividends.

We are a holding company with no material direct operations. Our principal assets are the equity interests we directly or indirectly hold in our operating subsidiaries, which own our operating assets. As a result, we are dependent on loans, dividends and other payments from our subsidiaries to generate the funds necessary to meet our financial obligations and to pay dividends on our common shares. Our subsidiaries are legally distinct from us and may be prohibited or restricted from paying dividends or otherwise making funds available to us under certain conditions. If we are unable to obtain funds from our subsidiaries, we may be unable to, or our board may exercise its discretion not to, pay dividends on our common shares.

Our ability to sell more shares in the future may be materially constrained by Trencor s South African currency restrictions and JSE Listings Requirements.

Trencor, a South African company listed on the JSE, has beneficiary interest in a majority of our share capital. Six of our eleven directors are also directors of Trencor. Both South African exchange control authorities and the JSE impose certain restrictions on Trencor.

South Africa s exchange control regulations provide for restrictions on exporting capital from South Africa. These restrictions require Trencor to obtain approval from South African exchange control authorities before engaging in transactions that would result in dilution of their share interest in us below certain thresholds, whether through their sale of their own shareholdings or through their approval of our issuance of new shares. The exchange control authorities may decide not to grant such approval if a proposed transaction were to dilute Trencor s beneficiary interest in us below certain levels. While the South African government has, to some extent, relaxed exchange controls in recent years, it is difficult to predict whether or how it will further relax or abolish exchange control measures in the future. The above requirements could restrict or limit our ability to issue new shares. In addition, Trencor is required to comply with JSE Listings Requirements in connection with its holding or sale of our shares.

Immediately following the completion of this offering, including the full exercise of the over-allotment option by the underwriters, and assuming that Halco purchases 2,100,000 common shares in this offering, Trencor will have an indirect beneficiary interest in 60.8% of our issued and outstanding shares. The above requirements could limit our financial flexibility by, among other things, impacting our future ability to raise funds through the issuance of securities, preventing or limiting the use of our shares as consideration in acquisitions, and limiting our use of option grants and restricted share grants to our directors, officers and other employees as incentives to improve the financial performance of our company.

It may not be possible for investors to enforce U.S. judgments against us.

We and all of our subsidiaries, except Textainer Equipment Management (U.S.) Limited, Textainer Capital Corporation and Textainer Financial Services Corporation, are incorporated in jurisdictions outside the U.S. A substantial portion of our assets and those of our subsidiaries are located outside of the U.S. In addition, most of our directors are non-residents of the U.S., and all or a substantial portion of the assets of these non-residents are located outside the U.S. As a result, it may be difficult or impossible for U.S. investors to serve process within the U.S. upon us, our non-U.S. subsidiaries, or our directors, or to enforce a judgment against us for civil liabilities in U.S. courts. In addition, you should not assume that courts in the countries in which we or our subsidiaries are incorporated or where our assets or the assets of our subsidiaries are located would enforce judgments of U.S. courts obtained in actions against us or our subsidiaries based upon the civil liability provisions of applicable U.S. federal and state securities laws, or would enforce, in original actions, liabilities against us or our subsidiaries based on those laws.

We are a foreign private issuer and, as a result, under NYSE rules, we are not required to comply with certain corporate governance requirements.

As a foreign private issuer, we are permitted by the NYSE to comply with Bermuda corporate governance practice in lieu of complying with certain NYSE corporate governance requirements. This means that we are not required to comply with NYSE requirements that:

- the board of directors consists of a majority of independent directors;
- independent directors meet in regularly scheduled executive sessions;
- the audit committee satisfy NYSE standards for independence (although we must still comply with independence standards pursuant to Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act));
- the audit committee have a written charter addressing the committee s purpose and responsibilities;
- we have a nominating and corporate governance committee composed of independent directors with a written charter addressing the committee s purpose and responsibilities;
- we have a compensation committee composed of independent directors with a written charter addressing the committee s purpose and responsibilities;
- we establish corporate governance guidelines and a code of business conduct;
- our shareholders approve any equity compensation plans; and
- there be an annual performance evaluation of the nominating and corporate governance and compensation committees.

Our board of directors has adopted an audit committee charter, a compensation committee charter and a nominating and governance committee charter, in each case, to be effective immediately prior to the effectiveness of this offering. However, following this offering, we intend to utilize some of the exemptions available to a foreign private issuer. As a result, our board of directors may not consist of a majority of independent directors and our compensation committee may not consist of any or a majority of independent directors. Accordingly, you may not have the same protections afforded to shareholders of companies that are subject to all of the NYSE corporate governance requirements.

Market interest rates may have an effect on the trading value of our shares.

One of the factors that investors may consider in deciding whether to buy or sell our shares is our dividend rate, as a percentage of our share price, relative to market interest rates. If market interest rates increase, prospective investors may demand a higher dividend yield on our shares or seek alternative investments paying higher dividends or interest. As a result, interest rate fluctuations and capital market conditions can affect the market value of our shares.

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If securities analysts do not publish research or reports about our business or if they change their financial estimates or investment recommendation, the price of our common shares could decline.

The trading market for our common shares will rely in part on the research and reports that industry or financial analysts publish about us or our business. We do not control or influence the decisions or opinions of these analysts and analysts may not cover us. If any analyst who covers us changes his or her financial estimates or investment recommendation, the price of our common shares could decline. If any analyst ceases coverage of our company or our industry, we could lose visibility in the market, which in turn could cause our share price to decline.

Implementation of required public company corporate governance and financial reporting practices and policies will increase our costs, and we may be unable to provide the required financial information in a timely and reliable manner.

As a result of this offering, we will become subject to the reporting requirements of the Exchange Act and the other rules and regulations of the Securities and Exchange Commission (the SEC). The SEC, as directed by Section 404 of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act), has adopted rules that will require us to conduct an assessment by management of the effectiveness of our internal controls over financial reporting. In addition, our independent auditors must attest to and report on the effectiveness of such internal controls over financial reporting. Our management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements that will be applicable to us as a public company. If we are not able to implement the requirements of the Sarbanes-Oxley Act in a timely manner or with adequate compliance, our independent auditors may not be able to attest as to the effectiveness of our internal controls over financial reporting. This result may subject us to adverse regulatory consequences, and could lead to a negative reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. We could also suffer a loss of confidence in the reliability of our financial statements if we disclose material weaknesses or significant deficiencies in our internal controls. In addition, if we fail to develop and maintain effective controls and procedures, we may be unable to provide the required financial information in a timely and reliable manner or otherwise comply with the standards applicable to us as a public company. Any failure by us to timely provide the required financial information could materially and adversely impact our financial condition and the market value of our common shares. Furthermore, testing and maintaining internal controls can divert our management s attention from other matters that are important to our business. We also expect these regulations to increase our legal and financial compliance costs, make it more difficult to attract and retain qualified officers and directors, particularly to serve on our audit committee, and make some activities more difficult, time consuming and costly.

You will incur immediate and substantial dilution in the net tangible book value of the shares you purchase.

Purchasers of our common shares in this offering will pay a price per share that exceeds the per share value of our tangible assets after subtracting our liabilities and the per share price paid by our existing shareholders to acquire our common shares. Accordingly, purchasers of our common shares in this offering will experience immediate and substantial dilution of approximately $8.74 per share, representing the difference between the initial public offering price of $16.50 per share and our pro forma as adjusted net tangible book value per share as of June 30, 2007 after giving effect to this offering. In addition, purchasers of our common shares in this offering will have contributed approximately 84% of the aggregate price paid by all purchasers of our shares but will own only approximately 19% of our common shares issued and outstanding after this offering. See Dilution.

A large number of shares are restricted from immediate resale but may be sold into the market in the near future. We may also issue additional shares without your approval. This could cause the market price of our common shares to decline significantly.

After taking into account this offering, including the full exercise of the over-allotment option by the underwriters, based on the number of shares issued and outstanding as of October 5, 2007, we will have

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48,954,640 common shares issued and outstanding. This includes the 10,350,000 shares we are selling in this offering (assuming the full exercise of the over-allotment option by the underwriters) at the initial public offering price of $16.50 per share, which may be sold in the public market immediately unless held by an affiliate of ours. Of these 10,350,000 common shares sold, we expect that 2,100,000 shares will be sold to Halco, which is our affiliate, and therefore these shares will not be freely tradable in the public market. These shares will not be purchased by Halco unless the offering to the public is consummated. Halco is not under any obligation to purchase any shares in this offering and its interest in purchasing shares in this offering is not a commitment to do so. These shares, if purchased, will be subject to the 180 day lock-up agreement that Halco signed with the representatives of the underwriters in connection with this offering.

Substantially all of our officers, directors and existing shareholders have entered into lock-up agreements providing that they will not sell any of our common shares until 180 days from the date of this prospectus, without the prior written consent of Credit Suisse Securities (USA) LLC and Wachovia Capital Markets, LLC. Credit Suisse Securities (USA) LLC and Wachovia Capital Markets, LLC may release the shares subject to the lock-up agreements in whole or in part at any time without prior public notice. However, Credit Suisse Securities (USA) LLC and Wachovia Capital Markets, LLC have no current plans to effect such a release. Please see Shares Eligible for Future Sale for a description of sales that may occur in the future.

Following the completion of this offering, we intend to file a registration statement on Form S-8 under the Securities Act of 1933, as amended (the Securities Act), to register the common shares issued or issuable under our 2007 Share Incentive Plan as soon as practicable. We have reserved a maximum of 8% of our issued and outstanding common shares as of forty-five (45) days after the completion of this offering for issuance under our 2007 Share Incentive Plan. Once we register any new shares that we may issue under this plan, those shares will be freely tradable upon issuance. If this causes a large number of our shares to be sold in the public market, or if there is an expectation of such sales, the sales or expectations of sales, could reduce the trading price of our common shares and impede our ability to raise future capital. See Shares Eligible for Future Sale for a more detailed description of sales that may occur in the future.

Our board of directors and management have broad discretion in using the proceeds from this offering, which might not be used in ways that improve our operating results or increase our market value. Investors will rely on the judgment of our board of directors and management regarding the application of the proceeds from this offering.

We intend to use the net proceeds from this offering:

- to repay the debt incurred to fund our purchase of the exclusive rights to manage the container fleet of Capital from Green Eagle Investments N.V., which acquisition closed on July 23, 2007;

- to fund the purchase of half of the interests held by FB in our subsidiary, Textainer Marine Containers Limited;

- to fund fleet expansion and acquisitions of complementary businesses, products, technologies or other assets; and

- for general corporate purposes, including repayment of debt, working capital and capital expenditures.

However, our board of directors and management will have broad discretion in applying the net proceeds we receive from this offering and may spend the proceeds for corporate purposes that do not necessarily improve our operating results or enhance the value of our common shares, or allocate the net proceeds in a manner with which you do not agree. See Use of Proceeds for a more detailed description of how we intend to use the net proceeds from this offering.

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We have anti-takeover provisions in our bye-laws that may discourage a change of control.

Bermuda law and our bye-laws contain provisions that could make it more difficult for a third party to acquire us without the consent of our board of directors. These include provisions:

- requiring the approval of not less than 66% of our shareholders for a merger or amalgamation transaction that has not been approved by our board of directors;
- prohibiting us from engaging in a business combination with an interested shareholder for a period of three years after the date of the transaction in which the person becomes an interested shareholder, unless certain conditions are met;
- authorizing our board of directors to issue blank-check preference shares without shareholder approval;
- establishing a classified board with staggered three-year terms;
- only authorizing the removal of directors (i) for cause by the affirmative vote of the holders of a majority of the votes cast at a meeting or (ii) without cause by the affirmative vote of the holders of 66% of the common shares then issued and outstanding and entitled to vote on the resolution; and
- establishing advance notice requirements for nominations for election to our board of directors.

These provisions may make it difficult and expensive for a third party to pursue a tender offer, change in control or takeover attempt that is opposed by our management and/or our board of directors. Public shareholders who might desire to participate in these types of transactions may not have an opportunity to do so. These anti-takeover provisions could substantially impede the ability of public shareholders to benefit from a change in control or change our management and board of directors and, as a result, may adversely affect the market price of our shares and your ability to realize any potential change of control premium. See Description of Share Capital Amalgamations and Business Combinations.

As a shareholder of our company, you may have greater difficulties in protecting your interests than as a shareholder of a U.S. corporation.

The Companies Act 1981 of Bermuda, as amended (the Companies Act), applies to our company and differs in material respects from laws generally applicable to U.S. corporations and their shareholders. Taken together with the provisions of our bye-laws, some of these differences may result in your having greater difficulties in protecting your interests as a shareholder of our company than you would have as a shareholder of a U.S. corporation. This affects, among other things, the circumstances under which transactions involving an interested director are voidable, whether an interested director can be held accountable for any benefit realized in a transaction with our company, what approvals are required for business combinations by our company with a large shareholder or a wholly-owned subsidiary, what rights you may have as a shareholder to enforce specified provisions of the Companies Act or our bye-laws, and the circumstances under which we may indemnify our directors and officers.

Our bye-laws restrict shareholders from bringing legal action against our officers and directors.

Our bye-laws contain a broad waiver by our shareholders of any claim or right of action, both individually and on our behalf, against any of our officers or directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver limits the right of shareholders to assert claims against our officers and directors unless the act or failure to act involves fraud or dishonesty.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS; CAUTIONARY LANGUAGE

This prospectus, including the sections entitled Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Business, contains forward-looking statements. Forward-looking statements include all statements that are not statements of historical facts and may relate to, but are not limited to, expectations or estimates of future operating results or financial performance, capital expenditures, introduction of new products, regulatory compliance, plans for growth and future operations, as well as assumptions relating to the foregoing. In some cases, you can identify forward-looking statements by terminology such as may, will, should, could, expect, plan, anticipate, believe, estimate, predict, intend, potential, continue or the negative of these terms or other sim
Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy, and actual results may differ materially from those we anticipated due to a number of uncertainties, many of which cannot be foreseen. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including, among others, the risks we face that are described in the section entitled Risk Factors and elsewhere in this prospectus.

We believe that it is important to communicate our future expectations to potential investors. However, there may be events in the future that we are not able to accurately predict or control and that may cause actual events or results to differ materially from the expectations expressed in or implied by our forward-looking statements. The risk factors listed on the previous pages, as well as any cautionary language in this prospectus, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Before you invest in our common shares, you should be aware that the occurrence of the events described in the previous risk factors and elsewhere in this prospectus could negatively impact our business, cash flows, results of operations, financial condition and share price. Potential investors should not place undue reliance on our forward-looking statements.

Forward-looking statements regarding our present plans or expectations for fleet size, management contracts, container purchases, sources and availability of financing, and growth involve risks and uncertainties relative to return expectations and related allocation of resources, and changing economic or competitive conditions, as well as the negotiation of agreements with container investors, which could cause actual results to differ from present plans or expectations, and such differences could be material. Similarly, forward-looking statements regarding our present expectations for operating results and cash flow involve risks and uncertainties related to factors such as utilization rates, per diem rates, container prices, demand for containers by container shipping lines, supply and other factors discussed under Risk Factors or elsewhere in this prospectus, which would also cause actual results to differ from present plans. Such differences could be material.

All future written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. New risks and uncertainties arise from time to time, and we cannot predict those events or how they may affect us. We assume no obligation to, and do not plan to, update any forward-looking statements after the date of this prospectus as a result of new information, future events or developments, except as required by federal securities laws. You should read this prospectus and the documents that we reference and have filed as exhibits to the registration statement, of which this prospectus is a part, with the understanding that we cannot guarantee future results, levels of activity, performance or achievements and that actual results may differ materially from what we expect. The forward-looking statements contained in this prospectus are excluded from the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995.

Industry data and other statistical information used in this prospectus are based on independent publications, reports by market research firms or other published independent sources. Some data are also based on our good faith estimates, derived from our review of internal surveys and the independent sources listed above. Although we believe these sources are reliable, we have not independently verified the information.

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You should rely only on the information contained in this prospectus or to which we have referred you. We have not authorized anyone to provide you with information that is different. This prospectus may only be used where it is legal to sell these securities. The information in this prospectus may only be accurate on the date of this prospectus.

In this prospectus, unless otherwise specified, all monetary amounts are in U.S. dollars. To the extent that any monetary amounts are not denominated in U.S. dollars, they have been translated into U.S. dollars in accordance with our accounting policies as described in our consolidated financial statements included elsewhere in this prospectus.

Consent under the Control Act 1972 (and its related regulations) has been obtained from the Bermuda Monetary Authority for the issue and transfer of the common shares to and between non-residents of Bermuda for exchange control purposes, provided our shares are and remain listed on an appointed stock exchange, which includes the NYSE. This prospectus will be filed with the Registrar of Companies in Bermuda in accordance with Bermuda law. In granting such consent and in accepting this prospectus for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for our financial soundness, the correctness of any of the statements made or opinions expressed in this prospectus.

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USE OF PROCEEDS

We estimate that the net proceeds from the sale of the common shares we are offering will be approximately $138.0 million, after deducting underwriting discounts and commissions and estimated offering expenses. If the underwriters fully exercise the over-allotment option, we estimate that our net proceeds from this offering will be approximately $158.8 million.

We anticipate that we will use the net proceeds we receive from this offering:

- to repay the debt incurred to fund the $56.0 million purchase price for our purchase of the exclusive rights to manage the container fleet of Capital from Green Eagle Investments N.V. which acquisition closed on July 23, 2007. We financed this $56.0 million purchase price under our $300.0 million secured debt facility, which had an interest rate of LIBOR plus 0.32% as of July 23, 2007. See Description of Indebtedness for further details on our secured debt facility;

- to pay for the purchase of half of the interests held by FB in our subsidiary, Textainer Marine Containers Limited. We have agreed in principle with FB that Textainer Limited will acquire half of their interest in our subsidiary, Textainer Marine Containers Limited, at a cash price equal to (i) 25% of the total shareholders equity of the Class A Shares of Textainer Marine Containers Limited on the day immediately preceding the closing of such acquisition, plus (ii) $18.0 million. If the transaction had closed on July 31, 2007, the cash purchase price would have been approximately $68.7 million. In addition, as part of the consideration, at least 50% of the total annual capital expenditures of the company on new containers, as measured under GAAP, will be allocated to the Class A portion of Textainer Marine Containers Limited for a three-year period after the close of this transaction. FB shall hold 25% of all issued and outstanding Class A Shares of Textainer Marine Containers Limited after the close of this transaction. We are in the process of negotiating the transaction documents and expect to close the transaction within two business days after the closing of this offering or as soon as practicable thereafter; and

- for general corporate purposes, including repayment of debt, working capital and capital expenditures. Borrowings under our secured debt facility have been used to finance the purchases of new containers and had an interest rate of LIBOR plus 0.32% as of October 5, 2007. Borrowings under our revolving credit facility have been used for working capital purposes and to finance the purchases of new containers and had an interest rate between LIBOR plus 1.0% to LIBOR plus 1.5% as of October 5, 2007. See Description of Indebtedness for further details on our debt. In addition, we may use proceeds from this offering for fleet expansion and acquisitions of complementary businesses, products, technologies or other assets. While we do not have any current specific plans for the proceeds other than those mentioned above, we also evaluate other acquisition opportunities and engage in related discussions from time to time.

As of the date of this prospectus, we cannot predict with certainty all of the particular uses for the proceeds from this offering or the amounts that we will actually spend on the uses set forth above. The amount and timing of actual expenditures may vary significantly depending upon a number of factors, such as the amount of cash used by our operations and capital expenditures. Accordingly, our board of directors and management will have significant flexibility in applying the net proceeds from this offering. Pending the application of the net proceeds from this offering as described above, we intend to invest the net proceeds from this offering in short-term, interest-bearing, investment-grade securities or certificates of deposit.

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DIVIDEND POLICY

During March 2005, we declared and paid a dividend totaling $17.2 million. During August 2005, we declared a dividend totaling $9.6 million that was paid in September 2005. During March 2006, we declared and paid a dividend totaling $19.1 million. During August 2006, we declared a dividend totaling $8.2 million that was paid in September 2006. During March 2007, we declared and paid a dividend totaling $20.3 million. During May 2007, we declared a dividend totaling $8.1 million that was paid in June 2007. During August 2007, we declared a dividend totaling $8.7 million that was paid in September 2007.

Our board of directors has adopted a dividend policy which reflects its judgment that our shareholders would be better served if we distributed to them, as quarterly dividends payable at the discretion of our board of directors, a portion of the cash generated by our business in excess of our expected cash needs, including cash needs for potential acquisitions or other growth opportunities, rather than retaining such excess cash or using such cash for other purposes. On an annual basis we expect to pay dividends with cash flow from operations, but due to seasonal or other temporary fluctuations in cash flow, we may from time to time use temporary short-term borrowings to pay quarterly dividends. In accordance with our dividend policy, we currently intend to pay an initial fourth quarter dividend of $0.20 per share on or about December 2007.

We are not required to pay dividends, and our shareholders will not be guaranteed, or have contractual or other rights, to receive dividends. The timing and amount of future dividends will be at the discretion of our board of directors and will be dependent on our future operating results and the cash requirements of our business. There are a number of factors that can affect our ability to pay dividends and there is no guarantee that we will pay dividends in any given year. See Risk Factors for a discussion of these factors. Our board of directors may decide, in its discretion, at any time, to decrease the amount of dividends, otherwise modify or repeal the dividend policy or discontinue entirely the payment of dividends.

In addition, we will not pay dividends in the event we are not allowed to do so under Bermuda law, are in default under (or such payment would cause a default under) our revolving credit facility, or if such payment would cause us to breach any of our covenants. These covenants include certain financial covenants, which would be directly affected by the payment of dividends, such as (i) a minimum net worth level (which level would decrease by the amount of any dividend paid), (ii) a maximum ratio of consolidated funded debt to consolidated tangible net worth (which amount would decrease by the amount of any dividend paid) and (iii) a minimum ratio of certain income (which amount would decrease by the amount of any dividend paid) to current obligations. Please see Description of Indebtedness Credit Facility for a description of these covenants and Description of Share Capital Dividend Rights for the limitation under Bermuda law. Furthermore, since we are a holding company, substantially all of the assets shown on our consolidated balance sheet are held by our subsidiaries. Accordingly, our earnings and cash flow and our ability to pay dividends are largely dependent upon the earnings and cash flows of our subsidiaries and the distribution or other payment of such earnings to us in the form of dividends.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2007:

- on an actual basis, but giving effect to a one-for-one share split, effected on October 8, 2007 by way of a bonus issue, as of August 8, 2007; and

- on an as adjusted basis to give effect to (1) the amendment of our Memorandum of Association and bye-laws to authorize a total of 140,000,000 common shares, (2) the sale of common shares in this offering, including the shares that Halco has indicated an interest in acquiring in this offering, at the initial public offering price of $16.50 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Halco will not purchase any shares unless the offering to the public is consummated. Halco is under no obligation to purchase any shares in this offering and its interest in purchasing shares in this offering is not a commitment to do so. The shares purchased by Halco will be subject to the 180 day lock-up agreement that Halco signed with the representatives of the underwriters in connection with this offering.

You should read the information in this table together with our consolidated financial statements and accompanying notes and the disclosures in the Management s Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this prospectus.

	June 30, 2007 Actual	Adjustments	June 30, 2007 As Adjusted
	(Dollars in thousands, except per share data)		
Cash and Cash Equivalents	$ 35,900	$ 66,022	$ 101,922
Long-Term Debt Obligations (including current portion)			
Revolving credit facility	$ 16,000	$ (16,000)	$
Secured debt facility[(1)]	92,000	(56,000)	36,000
Bonds payable	459,167		459,167
Total Long-Term Debt	$ 567,167	$ (72,000)	$ 495,167
Shareholders equity:			
Preferred shares, $0.01 par value: 10,000,000 shares authorized and no shares issued and outstanding			
Common shares, $0.01 par value: 120,000,000 shares authorized and 38,604,640 shares issued and outstanding, actual; 140,000,000 shares authorized and 47,604,640 shares issued and outstanding, as adjusted	386	90	476
Additional paid-in capital	24,945	137,932	162,877
Notes receivable from shareholders	(792)		(792)
Accumulated other comprehensive income	374		374
Retained earnings	223,593		223,593
Total shareholders equity	248,506	138,022	386,528
Total capitalization	$ 815,673	$ 66,022	$ 881,695

(1) Does not include the $56.0 million of debt incurred on July 23, 2007 to finance the purchase price for our purchase of the exclusive rights to manage the container fleet of Capital. This amount was funded from our $300.0 million secured debt facility, which had an interest rate of LIBOR plus 0.32% as of July 23, 2007. See Description of Indebtedness for further details on our secured debt facility. This additional debt is expected to have a minimal impact on our future consolidated statement of operations as this debt is expected to be

repaid with the proceeds from this offering.

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DILUTION

If you invest in our common shares in this offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share and the pro forma as adjusted net tangible book value per share of our common shares after this offering. The historical net tangible book value of our common shares, as of June 30, 2007, was approximately $231,616, or approximately $6.00 per common share, based on the number of common shares issued and outstanding as of June 30, 2007. Historical net tangible book value per share is determined by dividing the product of our total tangible assets (total assets less intangible assets) less total liabilities and minority interest by the number of our issued and outstanding common shares.

Investors participating in this offering will incur immediate, substantial dilution. After giving effect to the sale of common shares offered in this offering at the initial public offering price of $16.50 per share, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of June 30, 2007 would have been approximately $369.6 million, or approximately $7.76 per common share. This represents an immediate increase in pro forma as adjusted net tangible book value of $1.76 per share to existing common shareholders, and an immediate dilution of $8.74 per share to investors participating in this offering. The following table illustrates this dilution:

Initial public offering price		$ 16.50
Historical net tangible book value as of June 30, 2007	$ 6.00	
Pro forma increase in net tangible book value attributable to investors participating in this offering	$ 1.76	
Pro forma as adjusted net tangible book value after this offering		$ 7.76
Pro forma dilution to investors participating in this offering		$ 8.74

The following table summarizes, on a pro forma as adjusted basis as of June 30, 2007, the differences between the number of common shares purchased from us, the total consideration and the average price per share paid by existing shareholders and by investors participating in this offering, after deducting underwriting discounts and commissions and estimated offering expenses, at the initial public offering price of $16.50 per share:

	Shares Purchased		Total Consideration (Dollars in thousands)		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing shareholders before this offering	38,604,640	81%	$ 25,331	16%	$ 0.66
Investors participating in this offering	9,000,000	19%	$ 138,022	84%	$ 15.34
Total	47,604,640	100%	$ 163,353	100%	

Assuming the underwriters exercise their over-allotment option in full, the percentage of common shares held by existing shareholders will decrease to 79% of the total number of common shares issued and outstanding after this offering, and the number of shares held by new investors will be increased to 10,350,000, or 21% of the total number of common shares issued and outstanding after this offering.

A maximum of 8% of our issued and outstanding common shares as of forty-five (45) days after the completion of this offering is reserved for future issuance under our 2007 Share Incentive Plan. Assuming an offering size of 10,350,000 shares, which includes the exercise of the over-allotment option by the underwriters, we expect that a total of 3,916,371 common shares will be reserved for issuance under our 2007 Share Incentive Plan. To the extent new options or other equity awards are issued under our share incentive plan or we issue additional common shares in the future, there will be further dilution to new investors participating in this offering.

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SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The selected financial data presented below under the heading Statement of Income Data for the years ended December 31, 2006, 2005 and 2004 and under the heading Balance Sheet Data as of December 31, 2006 and 2005 has been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected financial data presented below under the heading Statement of Income Data for the years ended December 31, 2003 and 2002 and under the heading Balance Sheet Data as of December 31, 2004, 2003 and 2002 are unaudited and has been derived from our unaudited consolidated financial statements not included in this prospectus. The selected financial data presented below under the heading Statement of Income Data for the six months ended June 30, 2007, and 2006 and the selected financial data presented below under the heading Balance Sheet Data as of June 30, 2007 are unaudited and has been derived from our unaudited consolidated financial statements that are included elsewhere in this prospectus. In the opinion of management, all unaudited selected financial data presented below under the headings Statement of Income Data and Balance Sheet Data reflect all normal and recurring adjustments necessary to present fairly our results for and as of the periods presented. The data presented below under the heading Other Financial and Operating Data are not audited. Historical results are not necessarily indicative of the results of operations to be expected in future periods. You should read the selected consolidated financial data and operating data presented below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and with our consolidated financial statements and related notes included elsewhere in this prospectus.

We adopted the FSP AUG AIR-1 effective January 1, 2007. As a result, we have retroactively adjusted our consolidated financial statements to reflect the direct expense method of accounting for maintenance, a method permitted under this Staff Position. The impact of the application of FSP AUG AIR-1 to our direct container expense, in thousands, was a $406, $1,903 and $2,255 decrease for the years ended December 31, 2006, 2005 and 2004, respectively, and a $182 decrease for the six months ended June 30, 2006.

	Six Months Ended June 30, (Unaudited)		Fiscal Year Ended December 31,				
	2007	2006	2006	2005	2004	2003 (Unaudited)	2002 (Unaudited)
	(Dollars in thousands, except per share data)						
Statement of Income Data:							
Revenues:							
Lease rental income	$ 96,649	$ 90,679	$ 186,093	$ 188,904	$ 147,152	$ 122,304	$ 100,097
Management fees	10,141	6,574	16,194	15,472	17,942	16,815	14,435
Trading container sales proceeds	7,162	9,287	14,137	16,046	8,429	9,348	9,777
Incentive management fees and general partner distributions				2,874	1,579	1,393	1,286
Gain on sale of containers, net	5,611	4,186	9,558	10,456	4,275	31	601
Other	286	182	480	648	940	355	261
Total revenues	119,849	110,908	226,462	234,400	180,317	150,246	126,457
Operating expenses:							
Direct container expense	18,427	15,715	29,757	24,314	16,431	15,724	14,408
Cost of trading containers sold	5,779	7,708	11,480	12,944	6,235	7,246	9,205
Depreciation expense	23,391	29,625	54,330	60,792	48,321	42,678	40,760
Amortization expense	1,070		1,023				
General and administrative expense	8,407	8,133	16,155	16,567	16,807	15,454	14,237
Incentive compensation expense	2,178	1,720	4,694	5,140	4,507	2,752	1,607
Bad debt expense, net	996	502	664	91	868	1,396	232
Total operating expenses	60,248	63,403	118,103	119,848	93,169	85,250	80,449
Income from operations	59,601	47,505	108,359	114,552	87,148	64,996	46,008

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	Six Months Ended June 30, (Unaudited)		Fiscal Year Ended December 31,				
	2007	2006	2006	2005	2004	2003 (Unaudited)	2002 (Unaudited)
	(Dollars in thousands, except per share data)						
Other income (expense):							
Interest expense	(17,251)	(15,385)	(33,083)	(27,491)	(13,434)	(11,954)	(12,433)
Interest income	1,377	1,021	2,286	1,086	399	238	238
Realized and unrealized gains (losses) on derivative instruments, net	1,519	4,607	2,274	4,535	(889)	(4,763)	(19,083)
Other, net	(7)	(145)	243	(2,648)	(237)	(84)	(25)
Net other expense	(14,362)	(9,902)	(28,280)	(24,518)	(14,161)	(16,563)	(31,303)
Income before income tax and minority interest	45,239	37,603	80,079	90,034	72,987	48,433	14,705
Income tax expense	(2,775)	(2,061)	(4,299)	(4,662)	(4,011)	(3,001)	(2,275)
Minority interest expense	(9,150)	(10,277)	(19,499)	(22,393)	(15,382)	(10,063)	(1,022)
Net income	$ 33,314	$ 25,265	$ 56,281	$ 62,979	$ 53,594	$ 35,369	$ 11,408
Net income per share:							
Basic	$ 0.87	$ 0.66	$ 1.47	$ 1.65	$ 1.41	$ 0.94	$ 0.31
Diluted	$ 0.86	$ 0.66	$ 1.46	$ 1.63	$ 1.39	$ 0.93	$ 0.30
Weighted average shares outstanding:							
Basic	38,494	38,136	38,186	38,142	38,022	37,784	37,330
Diluted	38,574	38,480	38,488	38,598	38,490	38,212	37,816
Cash dividends declared per common share	$ 0.74	$ 0.50	$ 0.71	$ 0.70	$ 0.55	$ 0.22	$ 0.20
Other Financial and Operating Data (unaudited):							
EBITDA(1)	$ 84,055	$ 76,985	$ 163,955	$ 172,696	$ 135,232	$ 107,590	$ 86,743
Purchase of containers and fixed assets(2)	$ 93,710	$ 24,165	$ 104,818	$ 158,193	$ 194,634	$ 105,648	$ 62,961
Utilization rate(3):							
Former Computation	91.2%	89.8%	91.1%	91.9%	93.2%	88.3%	78.0%
New Computation	93.6%						
Total fleet in TEU (as of the end of the period)(4)	1,559,215	1,198,884	1,527,814	1,183,332	1,157,063	1,072,310	989,934
Balance Sheet Data (as of the end of the period):							
Cash and cash equivalents	$ 35,900		$ 41,163	$ 42,231	$ 28,354	$ 16,419	$ 15,853
Containers, net	821,221		763,612	722,611	748,604	547,408	502,732
Net investment in direct finance leases	46,415		42,222	33,011	5,742	7,468	9,737
Total assets	1,000,601		944,233	870,765	846,579	615,119	569,917
Long-term debt (including current portion)	567,167		541,167	546,167	503,469	401,469	378,909
Total liabilities	657,024		617,017	592,791	627,813	445,421	435,350
Minority interest	95,071		85,922	66,423	44,029	28,647	19,930
Total shareholders equity	248,506		241,294	211,551	174,737	141,051	114,637

(1) EBITDA (defined as net income, before interest income and interest expense, realized and unrealized (gains) losses on derivative instruments, net, income tax expense, minority interest expense and depreciation and amortization expense) is not a financial measure calculated in accordance with GAAP and should not be considered as an alternative to net income, income from operations or any other performance measures derived in accordance with GAAP or as an alternative to cash flows from operating activities as a measure of our liquidity. EBITDA is presented solely as a supplemental disclosure because management believes that it may be a useful performance measure that is widely used within our industry. EBITDA is not calculated in the same manner by all companies and, accordingly, may not be an appropriate measure for

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comparison. We believe EBITDA provides useful information on our earnings from ongoing operations, on our ability to service our long-term debt and other fixed obligations, and on our ability to fund our continued growth with internally generated funds. EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our operating results or cash flows as reported under GAAP. Some of these limitations are:

It does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;

It does not reflect changes in, or cash requirements for, our working capital needs;

It does not reflect interest expense or cash requirements necessary to service interest or principal payments on our debt;

Although depreciation is a non-cash charge, the assets being depreciated may be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements;

It is not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows; and

Other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

The following is a reconciliation of net income to EBITDA:

	Six Months Ended June 30,		Fiscal Year Ended December 31,				
	2007	2006	2006	2005	2004	2003	2002
	(Dollars in thousands) (Unaudited)						
Reconciliation of EBITDA:							
Net income	$ 33,314	$ 25,265	$ 56,281	$ 62,979	$ 53,594	$ 35,369	$ 11,408
Adjustments:							
Interest income	(1,377)	(1,021)	(2,286)	(1,086)	(399)	(238)	(238)
Interest expense	17,251	15,385	33,083	27,491	13,434	11,954	12,433
Realized and unrealized (gains) losses on derivative instruments, net	(1,519)	(4,607)	(2,274)	(4,535)	889	4,763	19,083
Income tax expense	2,775	2,061	4,299	4,662	4,011	3,001	2,275
Minority interest expense	9,150	10,277	19,499	22,393	15,382	10,063	1,022
Depreciation expense	23,391	29,625	54,330	60,792	48,321	42,678	40,760
Amortization expense	1,070		1,023				
EBITDA	$ 84,055	$ 76,985	$ 163,955	$ 172,696	$ 135,232	$ 107,590	$ 86,743

(2) Amounts for year ended December 31, 2006, 2005 and 2004, respectively, are audited.

(3) We measure utilization on the basis of containers on lease, using the actual number of days on hire, expressed as a percentage of containers available for lease, using the actual days available for lease. Prior to 2007, we calculated containers available for lease to include all containers in our fleet (Former Computation). Utilization figures in this prospectus for periods prior to 2007 are calculated in the latter manner. Starting in 2007, to conform to the method used by most of our competitors, we began calculating containers available for lease by excluding containers that have been manufactured for us but have not been delivered yet to a lessee and containers designated

as held-for-sale units (New Computation).

(4) With the acquisition of the exclusive management rights over the Capital container fleet on July 23, 2007, we have over 2,000,000 TEU in our fleet.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited and unaudited consolidated financial statements and related notes included elsewhere in this prospectus. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results may differ materially from those contained in or implied by any forward-looking statements. See Information Regarding Forward-Looking Statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in Risk Factors. Dollar amounts in this section of the prospectus are expressed in thousands unless otherwise indicated.

Overview

Operating since 1979, we are the world s largest lessor of intermodal containers based on fleet size (*Containerisation International Market Analysis: Container Leasing Market 2007*), with a total fleet of more than 1.3 million containers, representing over 2,000,000 TEU. We lease containers to more than 300 shipping lines and other lessees, including each of the world s top 20 container lines, as measured by container vessel fleet size. We believe we are one of the most reliable lessors of containers, in terms of consistently being able to supply containers in locations where our customers need them. We have provided an average of more than 90,000 TEU of new containers per year for the past 12 years, and have been one of the largest purchasers of new containers among container lessors over the same period. We believe we are also one of the two largest sellers of used containers among container lessors, having sold an average of more than 45,600 containers per year for the last five years. We provide our services worldwide via a network of 14 regional and area offices and over 300 independent depots in more than 130 locations. Trencor, a company publicly traded on the JSE in Johannesburg, South Africa, and its affiliates currently have beneficiary interest in a majority of our issued and outstanding common shares and will continue to have a majority interest after giving effect to this offering.

We operate our business in four core segments:

Container Ownership. As of June 30, 2007, we owned containers accounting for approximately 52% of our fleet.

Container Management. As of June 30, 2007, we managed containers on behalf of 12 container investors, providing acquisition, management and disposal services. These managed containers account for the remaining 48% of our fleet.

Container Resale. We generally sell containers from our fleet when they reach the end of their useful lives in marine service or when it is financially attractive for us to do so, considering the location, sale price, cost of repair, and possible repositioning expenses. We also purchase and lease or resell containers from shipping line customers, container traders and other sellers of containers.

Military Management. We lease containers to the U.S. military pursuant to the SDDC contract and earn a fee for supplying and managing its fleet of leased containers. We are the main supplier of leased intermodal containers to the U.S. military.

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Each of these core businesses comprises a reportable segment for financial statement reporting purposes. For the years ended December 31, 2006 and 2005, income before income taxes generated by each of the four core businesses, before inter-segment eliminations, was:

	Fiscal Year Ended December 31, 2006	2005
	(Dollars in thousands)	
Container Ownership	$ 42,949	$ 47,397
Container Management	$ 11,523	$ 13,761
Container Resale	$ 5,458	$ 5,447
Military Management	$ 1,172	$ 738

Our total revenues primarily consist of leasing revenues derived from the lease of our owned containers and, to a lesser extent, fees received for managing containers owned by third parties, equipment resale and military management. The most important driver of our profitability is the extent to which revenues on our owned fleet and management fee income exceed our operating costs. The key drivers of our revenues are fleet size, rental rates and utilization. Our operating costs primarily consist of depreciation and amortization, interest expense, direct operating expenses and administrative expenses. Our lessees are generally responsible for loss of or damage to a container beyond ordinary wear and tear, and they are required to purchase insurance to cover any other liabilities.

Significant Transactions

During the last ten years, we have added containers from our competitors fleets as follows:

Former Competitor	Date	Fleet Size	Type of Addition	Amount Paid
Capital Lease Limited, Hong Kong (Capital)	July 23, 2007	Over 500,000 TEU	We purchased from Green Eagle Investment N.V. the exclusive management rights over all of Capital s fleet	$56.0 million
Gateway Management Services Limited (Gateway)	July 1, 2006	315,000 TEU	We purchased from Gateway the management contracts of the fleet it formerly managed (the Gateway Transaction)	$19.0 million
XTRA International Ltd. (XTRA)	November 1, 2004	109,800 TEU	We purchased the remaining containers that we managed (the XTRA Transaction)	$85.3 million
	May 1, 1999	225,800 TEU	Management of the fleet turned over to us by XTRA pursuant to a new management agreement	Management fees of approximately $4.3 million were waived during the first twelve months of the management agreement
PSH Limited	April 1, 1998	54,900 TEU	Management of the fleet turned over to us by the container investor pursuant to a new management agreement	$0

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Factors Affecting Our Performance

We believe there are a number of factors that have affected, and are likely to continue to affect, our operating performance. These factors include the following, among others:

- the demand for leased containers;
- lease rates;
- our ability to lease our new containers shortly after we purchase them;
- prices of new containers;
- further consolidation of container manufacturers and/or decreased access to new containers; and
- terrorist attacks, the threat of such attacks or the outbreak of war and hostilities.

For further details of these and other factors which may affect our business and results of operations, see Risk Factors.

Revenue

Our revenue comprises lease rental income, management fees, trading container sale proceeds and gain on sale of containers.

Lease Rental Income. We generate lease rental income by leasing our owned containers to container shipping lines and other customers, such as the U.S. military. Lease rental income comprises daily per diem rental changes due under the lease agreements, together with payments for other charges set forth in the leases, such as handling fees, drop-off charges and pick-up charges and credits (together geography revenue) and charges for a damage protection plan (DPP). The operating results of our owned container business are determined by the amount by which our container rental revenue exceeds our ownership costs, consisting primarily of depreciation, interest expense, storage, handling and other direct operating expenses and management costs.

Utilization is a key performance indicator which demonstrates how much of our equipment is on lease at a point in time or over a period of time. We measure utilization on the basis of containers on lease, using the actual number of days on hire, expressed as a percentage of containers available for lease, using the actual days available for lease. Prior to 2007, we calculated containers available for lease to include all containers in our fleet. Utilization figures in this prospectus for periods prior to 2007 are calculated in this manner. Starting in 2007, to conform to the method used by most of our competitors, we began calculating containers available for lease by excluding containers that have been manufactured for us but have not been delivered yet to a lessee and containers designated as held-for-sale units. This change in the method of calculating utilization causes our utilization rate to appear higher than under the former methodology, but has no effect on the amount of lease rental income earned. Our utilization is primarily a function of our current lease structure, overall level of container demand, the location of our available containers and prevailing lease terms by location. The location of available containers is critical because containers available in high-demand locations are more readily leased and are typically leased on more favorable terms than containers available in low-demand locations.

Lease rental income is also affected by per diem rates. The per diem rate for a lease is set at the time we enter into a lease agreement. Our long-term per diem rate for new containers has historically been strongly influenced by new container pricing (which in turn is heavily influenced by container manufacturing industry concentrations and steel and other component pricing), interest rates, the balance of supply and demand for containers at a particular time and location, our estimate of the residual value of the container at the end of its useful life in marine service, the type of the container being leased, container purchasing activities by container shipping lines and competitors and efficiencies in container utilization by container shipping lines. Average per diem rates for containers in our owned fleet and in the portfolios of containers comprising our managed fleet

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change slowly in response to changes in new container prices because existing lease agreements can only be re-priced upon the expiration of the lease.

Management Fees. Management fee revenue is generated by our management services, which include the acquisition, leasing, repair, repositioning, storage and disposition of containers. We provide these management services pursuant to management agreements with container investors. Under these agreements, we earn fees for the acquisition of new containers and the management of the containers, and a sales commission upon disposition of containers under management. The management agreements typically cover the entire economic life of the containers.

Our acquisition fees are calculated as a percentage of the cost of the container. Our management fees are calculated as a percentage of net operating income of the containers. Net operating income is calculated as the lease payment and any other revenue attributable to a container, minus operating expenses related to that container (but not depreciation or financing expenses of the container investor). The management fee percentage generally varies based upon the type of lease and the terms of the management agreement. Management fee percentages for long-term leases are generally lower than management fee percentages for short-term leases because less daily involvement by management personnel is required to manage long-term leases. Our sales commissions are either fixed dollar amount or based on a percentage of the sales price.

All rental operations are conducted worldwide in our name as agent for the container investors. Revenues, customer accounts receivable, operating expenses, and vendor payables arising from direct container operations of the managed portion of our fleet are excluded from our financial statements.

Trading Container Sales Proceeds. Our Container Resale Division purchases used containers from third parties, primarily shipping lines, and resells these containers to a wide variety of buyers. This activity is reported as trading container sales proceeds.

Gain on Sale of Containers, net. Gain on sale of containers, net, represents the excess of the sale price of our owned fleet containers over their net book value at the time of sale. Containers are generally sold at the end of their useful lives in marine service or when it is financially attractive for us to do so, considering the location, sale price, cost of repair and possible repositioning expenses.

Operating Expenses

Our operating expenses include direct container expenses and depreciation of container rental equipment applicable to our owned containers, as well as general and administrative expenses for our total fleet.

Direct Container Expenses. Storage, handling, maintenance, repositioning and other direct container expenses are operating costs of our owned fleet. Storage and handling expenses occur when our customers drop off containers at depots around the world. Storage and handling expenses vary significantly by location. Other direct container expenses include maintenance expenses, which are the result of normal wear and tear on the containers, and repositioning expenses, which are incurred when we contract to move containers from locations where our inventories exceed actual or expected demand to locations with higher demand. Storage, handling, maintenance, repositioning and other direct container expenses are directly related to the number of containers in our owned fleet and inversely related to our utilization rate for those containers. As utilization increases, we typically have lower storage, handling, maintenance and repositioning expenses.

On September 8, 2006, the FASB posted the Staff Position (FSP), *Accounting for Planned Major Maintenance Activities*. FSP AUG AIR-1 amends certain provisions in the AICPA Industry Audit Guide, *Audits of Airlines*, and APB Opinion No. 28, *Interim Financial Reporting*. FSP AUG AIR-1 prohibits the use of the formerly allowed accrue-in-advance method of accounting for planned major maintenance activities in annual and interim financial statements. This guidance was effective for the six month period ended June 30, 2007 and was applied retrospectively for all financial statements presented.

Our leases require the lessee to pay for any damage to the container beyond normal wear and tear at the end of the lease term. We also offer a DPP pursuant to which the lessee pays a fee over the term of the lease (per diem) in exchange for not being charged for certain damages at the end of the lease term. This revenue is recognized as earned over the term of the lease. Prior to 2007, for containers not subject to a DPP and for containers where DPP was billed upon drop off, we accrued for repairs once we made the decision to repair the container, which was made in advance of us incurring the repair obligations. For containers covered by per diem DPP, we accounted for estimated future repairs on an accrual basis over the estimated term of the lease. The impact of implementing FSP AUG AIR-1 on the financial statements was to reduce liabilities and increase shareholders equity by approximately $5.6 million as of December 31, 2006 and 2005. As the equipment repair accruals have not changed significantly from period to period, there was no material change to our results of operations for any period following adoption of FSP AUG AIR-1.

Cost of Trading Containers Sold. We buy used containers for resale, primarily from shipping lines. Cost of trading containers sold represents the cost of these containers and is recognized as an expense at the time the containers are sold.

Depreciation Expense. We depreciate our containers on a straight line basis over a period of 12 years to a fixed residual value. We regularly assess both the estimated useful life of our containers and the expected residual values, and, when warranted, adjust our depreciation estimate accordingly. Depreciation expense will vary over time based upon the number and the purchase price of containers in our owned fleet. Beginning in the third quarter of 2006, depreciation of our existing owned fleet decreased as a result of an increase in our estimate of the residual values of our containers. However, this decrease could be partially or totally offset as a result of an increase in the size of our owned fleet in subsequent periods.

Amortization Expense. Amortization expense represents the amortization of the price paid for the Gateway Transaction. The purchase price is being amortized over the expected useful life of the contract on a pro-rata basis to the expected management fees.

General and Administrative Expense. Our general and administrative expenses are primarily employee-related costs such as salary, employee benefits, rent, travel and entertainment costs, as well as expenses incurred for outside services such as legal, consulting and audit-related fees. We expect general and administrative expenses to be higher in the future, as we incur additional costs related to operating as a public company.

Incentive Compensation Expense. Incentive compensation expense is the short-term annual bonus plan in which all company employees participate. The compensation amounts are determined on an annual basis based on the company s return on shareholders equity.

Bad Debt Expense, net. Bad debt expense, net, represents the amounts recorded to provide for an allowance for the doubtful collection of accounts receivable for the owned fleet.

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Results of Operations

Comparison of the Six Months Ended June 30, 2007 and 2006

The following table summarizes our total revenues for the six months ended June 30, 2007 and 2006:

	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006	% Change Between 2007 & 2006
	(Dollars in thousands) (Unaudited)		
Lease rental income	$ 96,649	$ 90,679	6.6%
Management fees	10,141	6,574	54.3%
Trading container sales proceeds	7,162	9,287	(22.9%)
Gain on sale of containers, net	5,611	4,186	34.0%
Other	286	182	57.1%
Total revenues	$ 119,849	$ 110,908	8.1%

Lease rental income increased $5,970 (6.6%) from the six months ended June 30, 2006 to the six months ended June 30, 2007. $3,539 of the increase was due to a 4.6% increase in fleet size, $3,387 was due to an increase in utilization and $1,292 was due to increased geography revenue. This was offset by $2,509 due to a 3.0% decrease in rental rates.

Management fees increased $3,567 (54.3%) from the six months ended June 30, 2006 to the six months ended June 30, 2007. $2,818 of this variance was due to the Gateway Transaction.

Trading container sales proceeds decreased $2,125 (22.9%) from the six months ended June 30, 2006 to the six months ended June 30, 2007. $2,329 of this decrease was due to a 25.1% decrease in units sold offset by $204 due to an increase in average sales proceeds of $38 per unit.

Gain on sale of containers, net, increased $1,425 (34.0%) from the six months ended June 30, 2006 to the six months ended June 30, 2007 primarily due to a 5,922 increase in containers disposed accounting for $1,813 of the increase. The increase was offset by $185 due to a $31 decrease in average net gain per unit.

The following table summarizes our total operating expenses for the six months ended June 30, 2007 and 2006:

	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006	% Change Between 2007 & 2006
	(Dollars in thousands) (Unaudited)		
Direct container expense	$ 18,427	$ 15,715	17.3%
Cost of trading containers sold	5,779	7,708	(25.0%)
Depreciation expense	23,391	29,625	(21.0%)
Amortization expense	1,070		N/A
General and administrative expense	8,407	8,133	3.4%
Incentive compensation expense	2,178	1,720	26.6%
Bad debt expense, net	996	502	98.4%
Total operating expenses	$ 60,248	$ 63,403	(5.0%)

Direct container expense increased $2,712 (17.3%) from the six months ended June 30, 2006 to the six months ended June 30, 2007 primarily due to a $1,067 increase in DPP expense and a $2,535 increase in

repositioning expense, offset by a $254 decrease in storage expense, $299 decrease in agency expense and a $433 decrease in military sublease expense.

Cost of trading containers sold decreased $1,929 (25.0%) from the six months ended June 30, 2006 to the six months ended June 30, 2007. $1,933 of the decrease was due to a 25.1% decrease in unit sales offset by $4 due to a 0.1% increase in the average cost per unit of sold containers.

Depreciation expense decreased $6,234 (21.0%) from the six months ended June 30, 2006 to the six months ended June 30, 2007. $8,210 of this decrease was due to an increase in estimated future residual values used in the calculation of depreciation expense, offset by $1,976 due to an increase in the size of the owned fleet.

Amortization expense was $1,070 for the six months ending June 30, 2007 representing the amortization of the amount paid to acquire the management contracts in the Gateway Transaction.

General and administrative expense increased $274 (3.4%) from the six months ended June 30, 2006 to the six months ended June 30, 2007 primarily due to a $269 increase in compensation expense.

Incentive compensation expense increased $458 (26.6%) from the six months ended June 30, 2006 to the six months ended June 30, 2007 due to a higher level of participation in the incentive compensation program.

Bad debt expense, net, increased $494 (98.4%) from the six months ended June 30, 2006 to the six months ended June 30, 2007 primarily due to a net increase for the period to the allowance for doubtful accounts.

The following table summarizes other income (expenses) for the six months ended June 30, 2007 and 2006:

	Six Months Ended June 30,		% Change Between
	2007	2006	2007 & 2006
	(Dollars in thousands) (Unaudited)		
Interest expense	$ (17,251)	$ (15,385)	12.1%
Interest income	1,377	1,021	34.9%
Realized gains on derivative instruments	1,741	992	75.5%
Unrealized gains (losses) on derivative instruments	(222)	3,615	(106.1%)
Other, net	(7)	(145)	(95.2%)
Net other expense	$ (14,362)	$ (9,902)	45.0%

Interest expense increased $1,866 (12.1%) from the six months ended June 30, 2006 to the six months ended June 30, 2007. $1,618 of the increase was due to an increase in average interest rates of 0.60 percentage points and $248 was due to an increase in average debt balances of $8,681.

Interest income increased $356 (34.9%) from the six months ended June 30, 2006 to the six months ended June 30, 2007. $298 of the increase was due to an increase in average interest rates of 1.00 percentage point and $58 was due to an increase in average cash balances of $3,261.

Realized gains on derivative instruments increased $749 (75.5%) from the six months ended June 30, 2006 to the six months ended June 30, 2007. $783 of the increase was due to an increase in average interest rates of 0.47 percentage point partially offset by $34 due to a decrease in average interest rate swap notional amounts of $12,163.

Unrealized gains (losses) on derivative instruments changed from a gain of $3,615 to a loss of $222 from the six months ended June 30, 2006 to the six months ended June 30, 2007 due to a decrease in the change in fair value of interest rate swap agreements held.

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The following table summarizes income tax and minority interest expense for the six months ended June 30, 2007 and 2006:

	Six Months Ended June 30,	% Change Between
	2007	