TEXTAINER GROUP HOLDINGS LTD
Form 424B4
October 11, 2007

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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.

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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

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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.

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.

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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.

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.

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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 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.

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 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

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- 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.

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;

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- 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

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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 sin 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) 2007	2006	Fiscal Year Ended December 31, 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

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

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

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.

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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, 2007	Six Months Ended June 30, 2006	% Change Between 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, 2007	2006	% Change Between 2007 & 2006
	(Dollars in thousands) (Unaudited)		
Income tax expense	$ 2,775	$ 2,061	34.6%
Minority interest expense	$ 9,150	$ 10,277	(11.0%)

Income tax expense increased $714 (34.6%) from the six months ended June 30, 2006 to the six months ended June 30, 2007. $709 of the increase was due to higher income and $5 was due to a higher effective tax rate.

Minority interest expense decreased $1,127 (11.0%) from the six months ended June 30, 2006 to the six months ended June 30, 2007 due to a lower level of Textainer Marine Containers Limited net income. In addition, if the transaction to acquire half of the ownership interest in Textainer Marine Containers Limited currently held by FB Transportation Capital LLC and FB Aviation and Intermodal Finance Holding B.V., as described in the Use of Proceeds, is concluded, minority interest expense will decrease in future periods.

Comparison of the Years Ended December 31, 2006, 2005 and 2004.

The following table summarizes our total revenues for the years ended December 31, 2006, 2005 and 2004:

	Year Ended December 31, 2006	2005	2004	% Change Between 2006 & 2005	2005 & 2004
	(Dollars in thousands)				
Lease rental income	$ 186,093	$ 188,904	$ 147,152	(1.5%)	28.4%
Management fees	16,194	15,472	17,942	4.7%	(13.8%)
Trading container sales proceeds	14,137	16,046	8,429	(11.9%)	90.4%
Incentive management fees and general partner distributions		2,874	1,579	(100.0%)	82.0%
Gain on sale of containers, net	9,558	10,456	4,275	(8.6%)	144.6%
Other	480	648	940	(25.9%)	(31.1%)
Total revenues	$ 226,462	$ 234,400	$ 180,317	(3.4%)	30.0%

Lease rental income decreased $2,811 (1.5%) from 2005 to 2006. This included a $4,503 decrease due to a 2.7% decrease in per diem rental rates, a $1,535 decrease due to a 0.9% decrease in utilization and decreases of $1,161 in DPP income and $555 in military sublease income, offset by an increase of $2,484 due to a 1.5% increase in fleet size and a $1,037 increase in handling income and a $426 increase in finance lease income. Lease rental income increased $41,752 (28.4%) from 2004 to 2005. This included an increase of $33,770 due to an increase in average fleet size of 25.8%, primarily due to the XTRA Transaction, and an increase of $2,625 due to a 1.6% increase in per diem rental rates, a $2,362 increase in DPP revenue, a $390 increase in handling revenue, a $2,059 increase in finance lease revenue and a $1,900 increase in military sublease income, offset by a $3,433 decrease due to a 2.1% decrease in utilization.

Management fee revenue increased $722 (4.7%) from 2005 to 2006 due to $2,597 in additional fees earned following the Gateway Transaction, offset by a reduction of $1,875 due to a 3.7% decrease in the size of the fleets managed for other container investors and a $461 decrease in acquisition fees. Management fee revenue decreased $2,470 (13.8%) from 2004 to 2005 primarily due to the XTRA Transaction. We earned $3,114 in management fees from XTRA in 2004 and $0 in 2005, offset by higher management fees from other container investors.

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Trading container sales proceeds decreased $1,909 (11.9%) from 2005 to 2006. $1,172 of this decrease was due to a 7.3% decrease in unit sales and $737 of the decrease was due to a decrease in average proceeds of $68 per unit. Trading sales proceeds increased $7,617 (90.4%) from 2004 to 2005. $4,898 of this increase was due to a 58.1% increase in unit sales and $2,719 of the increase was due to an increase in the average sales proceeds of $233 per unit.

Incentive management fees and general partner distributions decreased $2,874 (100.0%) from 2005 to 2006 due to the termination of six limited partnerships, Textainer Equipment Income Fund; Textainer Equipment Income Fund II, L.P.; Textainer Equipment Income Fund III, L.P.; Textainer Equipment Income Fund IV, L.P.; Textainer Equipment Income Fund V, L.P.; and Textainer Equipment Income Fund VI, L.P., for which we were the general partner (the TEIF Partnerships) in 2005, resulting in no fees in 2006. Incentive management fees and general partner distributions increased $1,295 (82.0%) from 2004 to 2005 due to an increase in the amount of distributions to the partners upon termination of the partnerships.

Gain on sale of containers, net, decreased $898 (8.6%) from 2005 to 2006 primarily due to a decrease of $70 in average sales proceeds per unit. Gain on sale of containers, net, increased $6,181 (144.6%) from 2004 to 2005, primarily due to a 10,389 increase in containers disposed and a $119 increase in average net gain per unit accounting for $4,616 and $1,237 of the total increase, respectively. This increase in unit sales was primarily due to the sale of containers acquired in the XTRA Transaction, which were predominantly older containers.

The following table summarizes our total operating expenses for the years ended December 31, 2006, 2005 and 2004:

	Year Ended December 31,			% Change Between	
	2006	2005	2004	2006 & 2005	2005 & 2004
	(Dollars in thousands)				
Direct container expense	$ 29,757	$ 24,314	$ 16,431	22.4%	48.0%
Cost of trading containers sold	11,480	12,944	6,235	(11.3%)	107.6%
Depreciation expense	54,330	60,792	48,321	(10.6%)	25.8%
Amortization expense	1,023			N/A	0%
General and administrative expense	16,155	16,567	16,807	(2.5%)	(1.4%)
Incentive compensation expense	4,694	5,140	4,507	(8.7%)	14.0%
Bad debt expense, net	664	91	868	629.7%	(89.5%)
Total operating expenses	$ 118,103	$ 119,848	$ 93,169	(1.5%)	28.6%

Direct container expense increased $5,443 (22.4%) from 2005 to 2006 primarily due to a $2,510 increase in storage expense, $1,178 increase in repositioning expense, $1,383 increase in DPP expense, $834 increase in handling expense and $490 increase in maintenance expense, offset by a $775 decrease in military sublease expense. Direct container expense increased $7,883 (48.0%) from 2004 to 2005 due to the increase in the size of the owned fleet, primarily due to the XTRA Transaction.

Cost of trading containers sold decreased $1,464 (11.3%) from 2005 to 2006. $946 of the decrease was due to a 7.3% decrease in unit sales and $518 of the decrease was due to a 4.3% decrease in the average cost per unit of sold containers. Cost of trading containers sold increased $6,709 (107.6%) from 2004 to 2005. $3,623 of the increase was due to a 58.1% increase in unit sales and $3,086 of the increase was due to a 31.3% increase in the average cost per unit of sold containers.

Depreciation expense decreased $6,462 (10.6%) from 2005 to 2006. $5,534 of the decrease was due to an increase in estimated future residual values used in the calculation of depreciation expense. Depreciation expense increased $12,471 (25.8%) from 2004 to 2005 due to an increase in owned fleet size, primarily due to the XTRA Transaction.

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Amortization expense was $1,023 in 2006 representing the amortization of the amount paid to acquire the management contracts in the Gateway Transaction.

General and administrative expense decreased $412 (2.5%) from 2005 to 2006 primarily due to $165 in lower compensation expense for share options and a $261 decrease in expenses related to the management of the TEIF Partnerships. General and administrative expense decreased $240 (1.4%) from 2004 to 2005 due to a $511 decrease in compensation expense for share options, $259 decrease in legal expense and $194 decrease in consulting expense. These decreases were offset by an increase of $331 in compensation and benefits expense and a reduction in the amount of capitalized compensation related to software systems development.

Incentive compensation expense decreased $446 (8.7%) from 2005 to 2006 due to a decrease in the company s return on shareholders equity, which is the determinant of incentive compensation. Incentive compensation expense increased $633 (14.0%) from 2004 to 2005 due to an increase in our return on shareholders equity.

Bad debt expense, net, increased $573 from 2005 to 2006 primarily due to a net increase for the year to the allowance for doubtful accounts. Bad debt expense decreased $777 from 2004 to 2005 primarily due a net decrease for the year to the allowance for doubtful accounts.

The following table summarizes other income (expenses) for the years ended December 31, 2006, 2005 and 2004:

	Year Ended December 31,			% Change Between	
	2006	2005	2004	2006 & 2005	2005 & 2004
	(Dollars in thousands)				
Interest expense	$ (33,083)	$ (27,491)	$ (13,434)	20.3%	104.6%
Interest income	2,286	1,086	399	110.5%	172.2%
Realized gains (losses) on derivative instruments	2,848	(4,153)	(9,905)	168.6%	(58.1%)
Unrealized gains (losses) on derivative instruments	(574)	8,688	9,016	(106.6%)	(3.6%)
Other, net	243	(2,648)	(237)	109.2%	1017.3%
Net other expense	$ (28,280)	$ (24,518)	$ (14,161)	15.3%	73.1%

Interest expense increased $5,592 (20.3%) from 2005 to 2006. $6,522 of the increase was due to an increase in average interest rates of 1.21 percentage points offset by $930 due to a decrease in average debt balances of $18,881. Interest expense increased $14,057 (104.6%) from 2004 to 2005. $9,970 of the increase was due to an increase in average interest rates of 1.79 percentage points and $4,087 was due to an increase in average debt balances of $130,168 to fund the XTRA Transaction and to purchase containers.

Interest income increased $1,200 (110.5%) from 2005 to 2006. $885 of the increase was due to an increase in average interest rates of 1.55 percentage points and $315 was due to an increase in average cash balances of $12,804. Interest income increased $687 (172.2%) from 2004 to 2005. $535 of the increase was due to an increase in average interest rates of 1.21 percentage points and $152 was due to an increase in average cash balances of $12,186.

Realized gains (losses) on derivative instruments changed from a loss of $4,153 to a gain of $2,848 from 2005 to 2006. $6,849 of the change was due to an increase in interest rates of 1.97 percentage points, and $152 was due to a decrease in average interest rate swap notional amounts of $13,231. Realized losses on derivative instruments decreased by $5,752 (58.1%) from 2004 to 2005. $8,526 of this change was due to an increase in interest rates of 2.36 percentage points, partially offset by $2,774 due to an increase in average interest rate swap notional amounts of $79,080.

Unrealized gains (losses) on derivative instruments changed from a gain of $8,688 to a loss of $574 from 2005 to 2006 due to a decrease in the change in fair value of interest rate swap agreements held. Unrealized gains on derivative instruments decreased by $328 (3.6%) due to a decrease in the change in fair value of interest rate swap agreements held.

Other, net increased $2,411 from 2004 to 2005 due to a $2,500 reserve recorded to resolve a dispute with a container manufacturer. A $450 reduction in the reserve was released to income in 2006.

The following table summarizes income tax and minority interest expense for the years ended December 31, 2006, 2005 and 2004:

	Year Ended December 31,			% Change Between	
	2006	2005	2004	2006 & 2005	2005 & 2004
	(Dollars in thousands)				
Income tax expense	$ 4,299	$ 4,662	$ 4,011	(7.8%)	16.2%
Minority interest expense	$ 19,499	$ 22,393	$ 15,382	(12.9%)	45.6%

Income tax expense decreased $363 (7.8%) from 2005 to 2006. $487 of the decrease was due to a lower level of taxable income, offset by $124 due to a higher effective tax rate. Income tax expense increased $651 (16.2%) from 2004 to 2005. $699 of the increase was due to a higher level of taxable income, offset by $48 due to a lower effective tax rate.

Minority interest expense decreased $2,894 (12.9%) from 2005 to 2006 due to a lower level of Textainer Marine Containers Limited net income. Minority interest expense increased $7,011 (45.6%) due to a higher level of Textainer Marine Containers Limited net income. See Business History and Corporate Structure.

Segment Information:

The following table summarizes our income before taxes attributable to each of our business segments for the six months ended June 30, 2007 and 2006 and the years ended December 31, 2006 and 2005 and 2004 (before inter-segment eliminations):

	Six Months Ended June 30,		% Change Between
	2007	2006	2007 & 2006
	(Dollars in thousands)		
Container ownership	$ 23,882	$ 19,260	24.0%
Container management	$ 8,825	$ 5,143	71.6%
Container resale	$ 3,595	$ 2,725	31.9%
Military management	$ 1,066	$ 675	57.9%

	Year Ended December 31,			% Change Between	
	2006	2005	2004	2006 & 2005	2005 & 2004
	(Dollars in thousands)				
Container ownership	$ 42,949	$ 47,397	$ 38,601	(9.4%)	22.8%
Container management	$ 11,523	$ 13,761	$ 17,604	(16.3%)	(21.8%)
Container resale	$ 5,458	$ 5,447	$ 2,731	0.2%	99.5%
Military management	$ 1,172	$ 738	$ 740	58.8%	(0.3%)

Income before taxes attributable to the container ownership segment increased $4,622 (24.0%) from the six months ended June 30, 2006 to the six months ended June 30, 2007. This was primarily due to a 4.6% increase in fleet size and a decrease in depreciation expense due to the increase in estimated future residual values used in the calculation of depreciation expense offset by increases in interest expense and a decrease in unrealized gains on derivative instruments.

Income before taxes attributable to the container ownership segment decreased $4,448 (9.4%) from 2005 to 2006 due to slightly less favorable market conditions, as evidenced by a 0.9% decrease in utilization, and a highly competitive market, as evidenced by a 2.7% decrease in rental rates. This was partially offset by a 1.5% increase in fleet size and a 10.6% decrease in depreciation expense due to the increase in estimated future residual values used in the calculation of depreciation expense.

Income before taxes attributable to the container ownership segment increased $8,796 (22.8%) from 2004 to 2005 primarily due to the XTRA Transaction.

Income before taxes attributable to the container management segment increased $3,682 (71.6%) from the six months ended 2006 to the six months ended 2007. The increase was primarily due to the increase in management fees due to the Gateway Transaction.

Income before taxes attributable to the container management segment decreased $2,238 (16.3%) from 2005 to 2006 due to a $339 decrease in acquisition fees due to fewer new containers purchased, a $530 increase in overhead expense, a $1,023 increase in amortization expense due to the Gateway Transaction and a $305 decrease in TEIF incentive management fees and general partner distributions due to the termination of the partnerships in 2005.

Income before taxes attributable to the container management segment decreased $3,843 (21.8%) from 2004 to 2005 primarily due to a $2,706 decrease in acquisition fees and a $1,121 increase in overhead expenses.

Income before taxes attributable to the container resale segment increased $870 (31.9%) from the six months ended June 30, 2006 to the six months ended June 30, 2007 due to a higher volume of container sales resulting in an increase in sales commissions of $1,259 offset by a decrease in gains on container trading of $180 due to a lower volume of trading container sales.

Income before taxes attributable to the container resale segment increased $11 (0.2%) from 2005 to 2006 due to a larger volume of sales resulting in an increase in sales commissions of $662 offset by a decrease in operating profit on sales of trading containers due to a lower volume of sales and higher overhead and interest costs.

Income before taxes attributable to the container resale segment increased $2,716 (99.5%) from 2004 to 2005 primarily due to a higher volume of container sales resulting in an increase in sales commissions of $2,007 and higher gains on container trading of $885 due to a 58.1% increase in containers sold.

Income before taxes attributable to the military management segment increased $391 (57.9%) from the six months ended June 30, 2006 to the six months ended June 30, 2007 primarily due to a $218 increase in sublease income and a $167 decrease in overhead expense.

Income before taxes attributable to the military management segment increased $434 (58.8%) from 2005 to 2006 primarily due to higher subleasing income of $220 and lower overhead expenses of $177.

Income before taxes attributable to the military management segment decreased $2 (0.3%) from 2004 to 2005 due to higher overhead expenses of $165 offset by higher subleasing income and management fees of $163.

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.

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Quarterly Financial Data

The following table presents condensed consolidated statements of income data for each of the ten quarters in the period ended June 30, 2007. The operating results for any quarter are not necessarily indicative of the results for any subsequent quarter.

	2005 Quarters Ended				2006 Quarters Ended				2007 Quarters Ended	
	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	June 30
	(Dollars in thousands, except per share data) (Unaudited)									
Revenues	$ 57,048	$ 61,073	$ 57,080	$ 59,199	$ 55,808	$ 55,100	$ 57,836	$ 57,718	$ 59,151	$ 60,698
Operating expenses	$ 28,335	$ 29,770	$ 29,675	$ 32,068	$ 31,438	$ 31,965	$ 28,283	$ 26,417	$ 28,721	$ 31,527
Income from operations	$ 28,713	$ 31,303	$ 27,405	$ 27,131	$ 24,370	$ 23,135	$ 29,553	$ 31,301	$ 30,430	$ 29,171
Net income	$ 18,572	$ 13,563	$ 15,923	$ 14,921	$ 13,069	$ 12,196	$ 13,941	$ 17,075	$ 16,727	$ 16,587
Earnings per share:										
Basic	$ 0.49	$ 0.36	$ 0.42	$ 0.39	$ 0.34	$ 0.32	$ 0.37	$ 0.45	$ 0.44	$ 0.43
Diluted	$ 0.48	$ 0.35	$ 0.41	$ 0.39	$ 0.34	$ 0.32	$ 0.36	$ 0.44	$ 0.43	$ 0.43

The $5,009 decrease in net income reported in the quarter ended June 30, 2005 compared to the prior quarter was primarily due to the accelerated amortization of prepaid financing costs of $1,909 recorded in the second quarter at the time of a debt refinancing and a reserve of $2,532 recorded in the second quarter related to a dispute with a container manufacturer.

The increase in net income in the quarter ended December 31, 2006 compared to the prior quarter is primarily due to a decrease in depreciation expense because of the change in estimated future residual values used in the calculation of depreciation expense, which was changed on September 1, 2006 and an increase of $3,407 in realized and unrealized gains on derivative instruments, net.

Our quarterly results are affected by seasonal trade patterns, timing of new container acquisitions, timing of container disposals and fluctuations in interest rates as reflected in realized and unrealized gains (losses) on derivative instruments. Some of these circumstances will change from quarter to quarter. Accordingly, results for a particular quarter are not necessarily indicative of results to be expected for any other quarter or for any year.

Liquidity and Capital Resources

As of June 30, 2007, we had cash and cash equivalents of $35,900. Our principal sources of liquidity have been cash flows from operations, proceeds from the sale of containers, issuance of bonds, and borrowings under our secured debt facility and revolving credit facility. Our revolving credit facility is a bank revolving facility extended to one of our subsidiaries, Textainer Limited. 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. As of June 30, 2007, we had the following borrowing capacity under our debt facilities, which does not give effect to the $56,000 borrowed to fund the purchase of exclusive management rights over Capital s container fleet, which amount is expected to be repaid with the proceeds from this offering (in thousands):

Facility	Current Borrowing	Additional Available Borrowing, as limited by our Borrowing Base	Additional Borrowing Commitment	Total Commitment
Revolving credit facility	$ 16,000	$ 33,077	$ 59,000	$ 75,000
Secured debt facility	92,000	96,033	208,000	300,000
Bonds payable	459,167			459,167
Total	$ 567,167	$ 129,110	$ 267,000	$ 834,167

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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 to institutional investors. We anticipate a similar refinancing at such time as the secured debt facility reaches a balance of between $300,000 and, if we are able to increase the commitment under the secured debt facility, $500,000. This timing will depend on our level of future purchases of containers. Please see Description of Indebtedness for further details on our debt facilities.

Our cash inflows from operations are affected by the utilization rate of our fleet and the per diem rates of our leases, whereas the cash inflows from proceeds for the sale of containers are affected by market demand for used containers and our available inventory of containers for sale. Our cash outflows are affected by payments and expenses related to our purchasing of containers, interest on our debt obligations or other contingencies discussed in Note 9 to our consolidated financial statements included elsewhere in this prospectus, which may place demands on our short-term liquidity.

We currently believe that cash flow from operations, proceeds from the sale of containers and borrowing availability under our debt facilities are sufficient to meet our liquidity needs, including for the payment of dividends, for the next twelve months and for the foreseeable future.

As of June 30, 2007, in addition to customary events of default, our revolving credit facility contains financial covenants by Textainer Limited and Textainer Marine Containers Limited. The revolving credit facility covenants require Textainer Group Holdings Limited and subsidiaries to maintain (1) a minimum consolidated tangible net worth of $180,339, plus 40% of consolidated net income after December 31, 2005; (2) a consolidated leverage ratio of 3.50 to 1.00 or less; (3) a minimum consolidated debt service coverage of 1.10 to 1.00; and (4) a minimum consolidated interest coverage ratio of 1.35 to 1.00. The revolving credit facility covenants also require Textainer Limited to maintain a consolidated leverage ratio of 5.00 to 1.00 or less.

Our secured debt facility and bond covenants require Textainer Equipment Management Limited and subsidiaries to maintain (1) a minimum consolidated tangible net worth of $5,000; (2) a minimum annual after-tax profit of $2,000 and; (3) a consolidated funded debt of $1,000 or less. The secured debt facility and bond covenants require Textainer Marine Containers Limited to maintain a minimum EBIT ratio of 1.10 to 1.00 and Textainer Group Holdings Limited and subsidiaries to maintain a consolidated leverage ratio of 4:00 to 1:00 or less.

We were in compliance with all of these covenants as of June 30, 2007.

Cash Flow

The following table summarizes historical cash flow information for the six months ended June 30, 2007 and 2006:

	June 30, 2007	June 30, 2006
	(Dollars in thousands) (Unaudited)	
Net income	$ 33,314	$ 25,265
Adjustments to reconcile net income to net cash provided by operating activities	27,199	30,462
Net cash provided by operating activities	60,513	55,727
Net cash used in investing activities	(67,866)	(14,861)
Net cash provided by (used in) financing activities	2,096	(54,464)
Effect of exchange rate changes	(6)	208
Net decrease in cash and cash equivalents	(5,263)	(13,390)
Cash and cash equivalents at beginning of period	41,163	42,231
Cash and cash equivalents at end of period	$ 35,900	$ 28,841

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Operating Cash Flows

Operating cash flows increased $4,786 (8.6%) from 2006 to 2007 primarily due to a $8,049 increase in net income, a $3,837 increase in the adjustment due to unrealized losses (gains) on derivative instruments, net, a $1,070 increase in the adjustment due to amortization of intangibles, a $5,795 increase in the adjustment due to accounts payable, a $3,625 increase in the adjustment due to accrued expenses and a $1,235 increase due to the adjustment for due to owners, net, primarily offset by a $6,234 decrease in the adjustment due to depreciation expense, a $1,425 decrease in the adjustment due to gain on sale of containers, net, a $1,127 decrease in the adjustment due to minority interest expense, a $9,705 decrease in the adjustment due to accounts receivable, and a $1,149 decrease in the adjustment due to prepaid expenses.

Investing Activities Cash Flows

Net cash used in investing activities increased $53,005 (356.7%) from 2006 to 2007 due to higher new container purchases, partially offset by higher proceeds from sales of containers and no purchase of intangible assets in 2007 compared to $9,000 in 2006.

Financing Activities Cash Flows

Net cash used in financing activities decreased $56,560 from 2006 to 2007 primarily due to a $26,000 net borrowing from debt facilities in 2007 compared to a net repayment of debt facilities of $29,000 in 2006, partially offset by a $9,286 increase in dividends paid.

The following table summarizes historical cash flow information for the years ended December 31, 2006, 2005 and 2004:

	2006	2005	2004
		(Dollars in thousands)	
Net income	$ 56,281	$ 62,979	$ 53,594
Adjustments to reconcile net income to net cash provided by operating activities	67,147	66,626	52,249
Net cash provided by operating activities	123,428	129,605	105,843
Net cash used in investing activities	(83,203)	(121,618)	(174,255)
Net cash provided by (used in) financing activities	(41,643)	6,123	80,097
Effect of exchange rate changes	350	(233)	250
Net increase (decrease) in cash and cash equivalents	(1,068)	13,877	11,935
Cash and cash equivalents at beginning of period	42,231	28,354	16,419
Cash and cash equivalents at end of period	$ 41,163	$ 42,231	$ 28,354

Operating Cash Flows

Operating cash flows decreased $6,177 (4.8%) from 2005 to 2006 due to a $6,698 decrease in net income, a $6,462 decrease in depreciation expense, a $1,918 decrease in amortization of debt issuance costs, a $1,106 decrease in share option plan expense, a $2,894 decrease in minority interest expense, a $3,621 decrease in the adjustment for accounts receivable, net, a $4,246 decrease in the adjustment for prepaid expenses, a $6,371 decrease in the adjustment for accounts payable, offset by a $9,262 adjustment for the change in unrealized losses (gains) on derivative instruments, net, a $1,023 increase in amortization expense, a $3,857 increase in the adjustment for container held for resale, a $4,266 decrease in the adjustment for other assets and a $6,260 increase in the adjustment for Due to owners, net. Operating cash flows increased $23,762 (22.5%) from 2004 to 2005, primarily due to the increase in owned fleet size from additions of new containers and the XTRA Transaction.

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Investing Activities Cash Flows

Net cash used in investing activities decreased $38,415 (31.6%) from 2005 to 2006 due to lower new container purchases and higher proceeds from sales of containers, partially offset by the investment for the Gateway Transaction. Net cash used in investing activities decreased $52,637 (30.2%) from 2004 to 2005 due to lower new container purchases, the XTRA Transaction in 2004 and higher proceeds from sales of containers.

Financing Activities Cash Flows

Net cash used in financing activities increased $47,766 from 2005 to 2006 primarily due to a $5,000 net repayment of debt facilities in 2006 compared to a net borrowing of $42,698 in 2005. This change is primarily due to the decrease in the purchase of containers in 2006. Net cash provided by financing activities decreased $73,974 from 2004 to 2005 primarily due to a net borrowing from debt facilities of $42,698 in 2005 compared to a net borrowing of $101,710 in 2004. This change is primarily due to the decrease in the purchase of containers in 2005 and the XTRA Transaction that occurred in 2004.

Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations and commercial commitments by due date as of December 31, 2006:

	Payments Due by Period						
	Total	**1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**
	(Dollars in thousands) (Unaudited)						
Total debt obligations:							
Bonds payable	$ 488,167	$ 58,000	$ 58,000	$ 58,000	$ 58,000	$ 58,000	$ 198,167
Secured debt facility	53,000		2,650	5,300	5,300	5,300	34,450
Interest obligation(1)	135,688	28,955	25,643	22,103	18,525	14,947	25,515
Interest rate swap receivable(2)	(5,830)	(3,137)	(1,529)	(1,016)	(148)		
Interest rate swap payable(2)	3	3					
Office lease obligations	6,546	1,287	1,303	1,310	1,217	1,225	204
Trading container purchase commitments	4,357	4,357					
Container purchase commitments	18,033	18,033					
Container contracts payable	32,927	32,927					
Total contractual obligations	$ 732,891	$ 140,425	$ 86,067	$ 85,697	$ 82,894	$ 79,472	$ 258,336

(1) Assuming an estimated current interest rate of LIBOR plus a margin, which equals an all-in interest rate of 5.61%.

(2) Calculated based on the difference between our fixed contractual rates and the counterparties estimated average LIBOR rate of 5.32%, for all periods, for all interest rate contracts outstanding as of December 31, 2006.

Off Balance Sheet Arrangements

At December 31, 2006 we had no off-balance sheet arrangements or obligations. An off-balance sheet arrangement includes any contractual obligation, agreement or transaction arrangement involving an unconsolidated entity under which we would have: (1) retained a contingent interest in transferred assets; (2) an obligation under derivative instruments classified as equity; (3) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us, or that engages in leasing, hedging or research and development services with us; or (4) made guarantees.

Currency

Almost all of our revenues are denominated in U.S. dollars and approximately 59% of our direct container expenses in 2006 were denominated in U.S. dollars. Our operations in locations outside of the U.S. have some exposure to foreign currency fluctuations, and trade growth and the direction of trade flows can be influenced by large changes in relative currency values. However, part of our non-U.S. dollar operating expenses is transportation and other costs incurred as a result of the SDDC contract. The SDDC contract contains an adjustment feature such that we are effectively protected against most foreign currency risks for the expenses incurred under the SDDC contract. In 2006, our non-U.S. dollar operating expenses were spread among 14 currencies, resulting in some level of self-hedging. We do not engage in currency hedging.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to use judgment in making estimates and assumptions that affect reported amounts of assets and liabilities, the reported amounts of income and expenses during the reporting period and the disclosure of contingent assets and liabilities as of the date of the financial statements. We have identified the policies and estimates below as among those critical to our business operations and the understanding of our results of operations. These policies and estimates are considered critical due to the existence of uncertainty at the time the estimate is made, the likelihood of changes in estimates from period to period and the potential impact that these estimates can have on our financial statements. The following accounting policies and estimates include inherent risks and uncertainties related to judgments and assumptions made by us. Our estimates are based on the relevant information available at the end of each period.

Revenue Recognition

Lease Rental Income. We recognize revenue from operating leases of our owned containers as earned over the term of the lease. Where minimum lease payments vary over the lease term, revenue is recognized on a straight-line basis over the term of the lease. We cease recognition of lease revenue if and when a container lessee defaults in making timely lease payments or we otherwise determine that future lease payments are not likely to be collected from the lessee. Our determination of the collectibility of future lease payments is made by management on the basis of available information, including the current creditworthiness of container shipping lines that lease containers from us, historical collection results and review of specific past due receivables. If we experience unexpected payment defaults from our container lessees, we will cease revenue recognition for those leases, which will reduce container rental revenue. Finance lease income is recognized using the effective interest method, which generates a constant rate of interest over the period of the lease. The same risks of collectibility discussed above apply to our collection of finance lease income. If we experience unexpected payment defaults under our finance leases, we will cease revenue recognition for those leases which will reduce finance lease income.

Our leases require the lessee to pay, at the end of the lease term, for any damage to the container beyond normal wear and tear. We also offer a DPP pursuant to which the lessee pays a fee over the term of the lease, primarily on a daily basis, in exchange for not being charged for certain damages at the end of the lease term. It is our policy to recognize these revenues as earned on a daily basis over the related term of the lease. We have not recognized revenue for customers who are billed at the end of the lease term under our DPP or for other lessees who do not participate in the DPP. Based on past history, there is uncertainty as to collectibility of these amounts because the amounts due under the DPP are typically re-negotiated at the end of the lease term or when the lease term is extended.

Management Fee Revenue. We recognize revenue from management fees earned under management agreements on an as earned basis. Fees are calculated as a percentage of net operating income, which is revenue from the containers under management minus direct operating expense related to those containers. If a lessee of a managed container defaults in making timely lease payments or we otherwise determine that future lease payments are not likely to be collected from the lessee, then we will cease to record lease revenue, which in turn will result in reduced management fee revenue.

Accounting for Container Leasing Equipment

Accounting for container leasing equipment includes depreciation, impairment of held for use equipment and the impairment of containers held for sale.

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

We review our depreciation policies, including our estimates of useful lives and residual values, on a regular basis to determine whether a change in our estimates of useful lives and residual values is warranted. Prior to September 1, 2006, we estimated that standard dry freight containers, which represent substantially all the containers in our fleet, have a useful life in marine services of 12 years and had residual values of $650 for a 20 , $800 for a 40 , and $900 for a 40 high cube. Beginning on September 1, 2006, we changed our residual value estimates to $850 for a 20 , $950 for a 40 and $1,000 for a 40 high cube. Our change in residual value estimates is based on our recent sales history and current market conditions for the sale of used containers, which we believe currently is the best indicator of the residual value we will realize. The effect of this change will be a reduction in depreciation expense as compared to what would have been reported using the previous estimates. We continue to estimate a container s useful life in marine service to be 12 years from the first lease out date after manufacture.

If market conditions in the future warrant a further change of our estimates of the useful lives or residual values of our containers, we may be required to again recognize increased or decreased depreciation expense. A decrease in either the useful life or residual value of our containers would result in increased depreciation expense and decreased net income.

Impairment. We periodically evaluate our containers held for use to determine whether there has been any event that would cause the book value of our containers to be impaired. Any such impairment would be expensed in our results of operations. Impairment exists when the future undiscounted cash flows generated by an asset are estimated to be less than the net book value of that asset. If impairment exists, the containers are written down to their fair value. This fair value then becomes the containers new cost basis and is depreciated over their remaining useful life in marine services to their estimated residual values. Any impairment charge would result in decreased net income.

Containers Held for Sale. We also evaluate all off-lease containers to determine whether the containers will be repaired and returned to service or sold based upon what we estimate will be the best economic alternative. If we designate a container as held for sale, depreciation on the container ceases, and the container is reported at the lower of (1) its recorded value or (2) the amount we expect to receive upon sale (less the estimated cost to sell the container). Any writedown of containers held for sale is reflected in our statement of operations as an expense. If a large number of containers are identified for sale or prices for used containers drop, impairment charges for containers held for sale may increase which would result in decreased net income.

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Allowance for Doubtful Accounts

Our allowance for doubtful accounts is reviewed regularly by our management and is based on the risk profile of the receivables, credit quality indicators such as the level of past due amounts and non-performing accounts and economic conditions. Our credit committee meets regularly to assess performance of our container lessees and to recommend actions to be taken in order to reduce credit risks. Changes in economic conditions or other events may necessitate additions or deductions to the allowance for doubtful accounts. The allowance is intended to provide for losses inherent in the owned fleet s accounts receivable, and requires the application of estimates and judgments as to the outcome of collection efforts and the realization of collateral, among other things. If the financial condition of our container lessees were to deteriorate, reducing their ability to make payments, additional allowances may be required, which would decrease our net income or increase our net loss in the period of the adjustment.

Income Taxes

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

In certain situations, a taxing authority may challenge positions adopted in our income tax filings. For transactions that we believe may be challenged, we may apply a different tax treatment for financial reporting purposes. We regularly assess the tax positions for such transactions and include reserves for those differences in position. The reserves are utilized or reversed once the statute of limitations has expired or the matter is otherwise resolved.

In July 2006, the FASB issued FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 on January 1, 2007 did not have a significant effect on our consolidated financial position and we do not expect a significant effect on our results of operations.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). This statement establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. This statement retains the exchange price notion in earlier definitions of fair value. SFAS No. 157 clarifies that the exchange price is the price in an orderly transaction between market participants to sell an asset or transfer a liability in the market in which the reporting entity would transact for the asset or liability, that is, the principal or most advantageous market for the asset or liability. The transaction to sell the asset or transfer the liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the asset or owes the liability. Therefore, the definition focuses on the price that would be received to sell the asset or paid to transfer the liability (an exit price), not the price that would be paid to acquire the asset or received to assume the liability (an entry price). SFAS No. 157 is effective for financial statements issued for years beginning after November 15, 2007, and interim periods within those years with earlier application encouraged. We do not expect the adoption of SFAS No. 157 to have a material effect on our consolidated financial position or results of operations.

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) No. 108, which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. If the effect of initial adoption is determined to be material, the cumulative effect may be reported as an adjustment to the beginning of year retained earnings with disclosure of the nature and amount of each individual error being corrected in the cumulative adjustment. The guidance is applicable in our 2006 fiscal year. We will apply this guidance in assessing any future misstatements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115*. Under this pronouncement, companies may elect to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reporting earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. However, SFAS No. 159 specifically includes financial assets and financial liabilities recognized under leases (as defined in SFAS No. 13, Accounting for Leases), as among those items not eligible for the fair value measurement option except contingent obligations for cancelled leases and guarantees of third-party lease obligations. This statement is effective for fiscal years that begin after November 15, 2007. We do not expect the adoption of SFAS No. 159 to have a material effect on our consolidated financial position or results of operations.

Quantitative and Qualitative Disclosures About Market Risk

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

Foreign Exchange Rate Risk. Although we have significant foreign-based operations, the U.S. dollar is our primary operating currency. Thus, substantially all of our revenue and the majority of our expenses in 2006, 2005 and 2004 were denominated in U.S. dollars. For the years 2006, 2005 and 2004, 41%, 34% and 36%, respectively, of our direct container expenses were paid in 15 different foreign currencies. We do not hedge these container expenses as there are no significant payments made in any one foreign currency and our SDDC contract contains a provision to protect it from fluctuations in exchange rates for payments made in foreign currencies for services rendered under the SDDC contract. Foreign exchange fluctuations did not materially impact our financial results in those periods.

Interest Rate Risk. We have entered into various interest rate cap and swap agreements to mitigate our exposure associated with our 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 LIBOR. The differentials between the fixed and variable rate payments under these agreements are recognized in realized and unrealized gains (losses) on derivative instruments, net in the consolidated statement of income.

As of December 31, 2006, 2005 and 2004, none of the derivative instruments we have entered into qualify for hedge accounting in accordance with Statement of Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended (SFAS 133). The fair value of the derivative instruments is measured at each of these balance sheet dates and the change in fair value is recorded in the consolidated statements of income as realized and unrealized gains (losses) on derivative instruments, net.

Our interest rate swap agreements have expiration dates between November 2007 and December 2010. The cumulative fair value of these agreements was $3,992 and $4,566 as of December 31, 2006 and 2005, respectively.

Our interest rate cap agreements have expiration dates between October 2007 and November 2015.

Based on the debt balances and derivative instruments as of December 31, 2006, it is estimated that a 1% change in interest rates would result in the recording of an unrealized change in the value of derivative instruments of $3,800 and the change of interest expense of $2,300.

Quantitative and Qualitative Disclosures About Credit Risk

We maintain detailed credit records about our container lessees. Our credit policy sets different maximum exposure limits for our container lessees. Credit criteria may include, but are not limited to, container lessee trade route, country, social and political climate, assessments of net worth, asset ownership, bank and trade credit references, credit bureau reports, including those from Dynamar B.V. or Dynamar, and Lloyd s Marine Intelligence Unit (common credit reporting agencies used in the maritime sector), operational history and financial strength. We monitor our container lessees performance and our lease exposures on an ongoing basis, and our credit management processes are aided by the long payment experience we have with most of our container lessees and our broad network of long-standing relationships in the shipping industry that provide current information about our container lessees. In managing this risk, we also make an allowance for doubtful accounts. The allowance for doubtful accounts is developed based on two key components:

- specific reserves for receivables which are impaired for which management believes full collection is doubtful; and

- reserves for estimated losses inherent in the receivables based upon historical trends.

As of December 31, 2006, approximately 88.9% of accounts receivable for our total fleet and 92.3% of the finance lease receivables were from container lessees and customers outside of the U.S. Customers in the PRC (including Hong Kong) and Taiwan accounted for 18.2% and 15.1%, respectively, of our total fleet container leasing revenue for the year ended December 31, 2006. Customers in no other country accounted for greater than 10.0% of our total fleet container leasing revenue for the same period. Total fleet container leasing revenue differs from our reported container rental revenue in that total fleet container leasing revenue comprises revenue earned from leases on containers in our total fleet, including revenue earned by our investors from leases on containers in our managed fleet, while our reported container revenue only comprises container leasing revenue associated with our owned fleet. We derive revenue with respect to container leasing revenue associated with our managed fleet from management fees based upon the operating performance of the managed containers.

Revenue from our 25 largest container lessees by revenue represented $259,050, or 80.7% of the total fleet container lease billings for the year ended December 31, 2006, with revenue from our single largest container lessee accounting for $28,857, or 9.0% of container leasing revenue during such period.

An allowance of $2,320 has been established against non-performing receivables as of December 31, 2006 for our owned fleet. For the year ended December 31, 2006, receivable write-offs, net of recoveries, totaled $543 for our owned fleet.

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BUSINESS

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 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 location, sale price, the 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.

We believe that our strategy of owning containers as well as managing containers for other container investors offers several benefits, including:

- a larger fleet, which enables us to serve our shipping line customers more effectively;

- enhanced franchise value, market presence and economies of scale associated with a larger fleet;

- the ability to leverage our existing infrastructure and workforce without increasing the capital at risk; and

- a more balanced revenue and expense model.

In general, owning containers during periods of high demand for containers provides higher margins than managing containers, since we receive lease revenues for the containers that we own but only a percentage of the net operating income of the containers as a management fee for the containers that we manage. On the other hand, 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.

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.

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.

Our expertise and flexibility in managing containers after their initial lease is an important factor in our success. Leasing new containers is relatively easy because initial leases for new containers typically cover large volumes of units and are fairly standardized transactions. However, to successfully compete in our industry, we must not only obtain favorable initial long-term leases for new containers, but also increase the return generated by these containers throughout their useful life in marine service and their ultimate sale into the secondary market. To do that, we focus on renewing or extending our long-term container leases beyond their expiration date (typically five years from the start of the lease). In addition, we attempt to negotiate favorable return provisions, maintain an active presence in the master and spot lease markets, and work to increase our options for disposing of off-lease containers so that we have attractive alternatives if it is not possible to achieve reasonable renewal or extension of terms with the current lessee. Unlike some of our competitors, we have the capability and the infrastructure to re-lease or dispose of our containers at comparatively attractive terms, which increases our leverage with the lessees.

We believe that we have the ability to reposition containers which are returned in lower demand locations to higher demand locations at relatively low cost as a result of our experienced logistics team. Our large customer base of more than 300 lessees increases our ability to re-lease containers under master and other short-term lease terms. Our contract to supply leased containers to the U.S. military enables us to supply containers in their demand locations, which are often lower demand locations for our shipping line customers. Our Resale Division is also positioned to sell the containers and optimize their residual value in multiple markets, including lower demand locations. This life cycle system of generating an attractive revenue stream from and achieving high utilization of our container fleet has enabled us to become the world s largest container lessors and led to 20 consecutive years of profits.

History and Corporate Structure

We began operations in 1979. Initially, Textainer Inc. was a Panama corporation and operated as a container trading and management company. Two wholly-owned subsidiaries were formed in the United Kingdom to conduct operations and investor sales. From 1979 until 1993, we pursued various acquisitions and joint ventures and formed several subsidiaries to grow our business. Between 1987 and 1997, we raised approximately $492 million from container investors through the formation of public limited partnerships (the TEIF Partnerships) in which various of our subsidiaries, including Textainer Capital Corporation, Textainer Equipment Management Limited, Textainer Financial Services Corporation and Textainer Limited were the general partners. These TEIF Partnerships were terminated in 2005 following the sale of the remaining assets in the partnerships.

In December 1993, we underwent a corporate reorganization whereby Textainer Group Holdings Limited was formed in Bermuda and the various corporations in our business group were reorganized as subsidiaries under Textainer Group Holdings Limited, including Textainer Equipment Management Limited, Textainer Limited and Textainer Capital Corporation. Most shareholders who had previously held separate interests in the subsidiaries became shareholders in Textainer Group Holdings Limited.

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We currently own 100% of all of our direct and indirect subsidiaries, except for Textainer Marine Containers Limited. Textainer Marine Containers Limited was incorporated in Bermuda on July 1, 2000 as a joint venture involving Textainer Limited and MeesPierson Transport & Logistics Holding B.V., which later changed its name to FB Aviation and Intermodal Finance Holding B.V., a subsidiary of Fortis Bank (Nederland) N.V. As of June 30, 2007, Textainer Limited held a 72.3% economic ownership interest and FB Aviation and Intermodal Finance Holding B.V. and FB Transportation Capital LLC (together with FB Aviation and Intermodal Finance Holding B.V., FB) held a 27.7% economic ownership interest in Textainer Marine Containers Limited. However, the voting rights in a majority of matters are shared evenly between Textainer Limited and FB. 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. Upon the closing of the transaction, FB will hold 13.9% of the economic interest and 25% of the voting interest in Textainer Marine Containers Limited. In addition, voting matters related to commencing bankruptcy proceedings and amending related board and shareholder meeting requirements require the approval of a separate Class C common shareholder, which does not have any economic ownership interest in Textainer Marine Containers Limited.

Trencor held a beneficiary interest in Textainer Inc., our predecessor, starting in 1986 and, through its affiliate Halco, has held a beneficiary interest in a majority of our shares since our reorganization in 1993. Trencor is a South African container and logistics public company, listed on the JSE in Johannesburg, South Africa. Trencor was founded in 1929, and currently has businesses owning, leasing and managing marine cargo containers; owning and leasing returnable packaging units together with the related management and technology; and finance related activities. Mobile Industries Limited, a holding company listed on the JSE (Mobile Industries), owns 46% interest of Trencor and the family interests of our directors Neil I. Jowell and Cecil Jowell have a significant percentage in Mobile Industries with Neil and Cecil Jowell being directors of that company.

Trencor and certain of Trencor s subsidiaries are the sole discretionary beneficiaries of the Halco Trust, a discretionary trust with an independent trustee. Halco, which owned over 71.7% of our outstanding share capital as of June 30, 2007, is the wholly-owned subsidiary of the Halco Trust. 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, Halco s interest will drop to approximately 60.8% of our issued and outstanding share capital. In addition, the protectors of the Halco Trust are Neil I. Jowell, the chairman of both our board of directors and the board of directors of Trencor, and Cecil Jowell and James E. McQueen, members of our board of directors and the board of directors of Trencor. The protectors of the trust have the power, under the trust documents, to appoint or remove the trustee. The protectors cannot be removed and have the right to nominate replacement protectors. In addition, any changes to the beneficiary of the Halco Trust must be agreed to by both the independent trustee and the protectors of the trust.

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Our current corporate structure is as follows:

* The remaining 27.7% is owned by FB. 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. 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.

Over the past 10 years, we concluded four strategic transactions involving former competitors. On April 1, 1998, we entered into a management service contract for the PrimeSource fleet, consisting of 54,900 TEU, at no cost. On May 1, 1999, we entered into a management service contract for the management of the XTRA fleet, consisting of 225,800 TEU, for a waiver of the first year s management fees of approximately $4.3 million. On November 1, 2004, we purchased from XTRA, Inc., the containers that we were managing on behalf of XTRA International pursuant to the May 1, 1999 management contract. This purchase was for 109,800 TEU at a purchase price of $85.3 million. On July 1, 2006, we purchased the management contracts of the fleet formerly managed by Gateway Management Services Limited for a purchase price of $19.0 million. This fleet consists of 315,000 TEU. On July 23, 2007, we purchased the exclusive rights to manage the container fleet of Capital for a purchase price of $56.0 million. The Capital fleet consists of over 500,000 TEU.

Industry Overview

Dry freight intermodal containers are large, standardized steel boxes used to transport goods by multiple modes of transportation, including ships, trains and trucks. Compared to traditional shipping methods, intermodal containers provide users with faster loading and unloading as well as some protection from weather and potential theft, thereby typically reducing both transportation costs and time to market for our lessee s customers.

Containers are built in accordance with standard dimensions and weight specifications established by the International Organization for Standardization (ISO). The industry-standard measurement unit is the Twenty- Foot Equivalent Unit, or TEU, which compares the length of a container to a standard 20 container. For example, a 20 container is equivalent to one TEU and a 40 container is equivalent to two TEU. Standard dry freight containers are typically 8 wide, come in lengths of 20 , 40 or 45 and are either 8 6 or 9 6 high. The three principal types of containers are described as follows:

Dry freight standard containers. A dry freight standard container is constructed of steel sides, roof, an end panel on one end and a set of doors on the other end, a wooden floor and a steel undercarriage. Dry freight standard containers are the least expensive and most commonly used type of container. They are used to carry general cargo, such as manufactured component parts, consumer staples, electronics and apparel. According to *Containerisation International, World Container Census 2007*, dry freight standard containers comprised approximately 89.2% of the worldwide container fleet, as measured in TEU, at mid-2006.

Dry freight specialized containers. Dry freight specialized containers consist of open-top and flat-rack containers. An open-top container is similar in construction to a dry freight standard container except that the roof is replaced with a tarpaulin supported by removable roof bows. A flat-rack container is a heavily reinforced steel platform with a wood deck and steel end panels. Open-top and flat-rack containers are generally used to transport heavy or oversized cargo, such as marble slabs, building products or machinery. According to *Containerisation International, World Container Census 2007*, dry freight specialized containers comprised approximately 3.8% of the worldwide container fleet, as measured in TEU, at mid-2006.

Other containers. Other containers include refrigerated containers, tank containers, 45 containers, pallet-wide containers and other types of containers. The two most prominent types of such containers are refrigerated containers and tank containers. A refrigerated container has an integral refrigeration unit on one end which generally plugs into an outside power source and is used to transport perishable goods. Tank containers are used to transport liquid bulk products such as chemicals, oils, and other liquids. According to *Containerisation International, World Container Census 2007*, other containers comprised approximately 7.0% of the worldwide container fleet, as measured in TEU, at mid-2006.

Containers provide a secure and cost-effective method of transportation because they can be used in multiple modes of transportation, making it possible to move cargo from a point of origin to a final destination without repeated unpacking and repacking. As a result, containers reduce transit time and freight and labor costs, as they permit faster loading and unloading of shipping vessels and more efficient utilization of transportation containers than traditional break bulk shipping methods. The protection provided by containers also reduces damage, loss and theft of cargo during shipment. While the useful economic life of containers varies based upon the damage and normal wear and tear suffered by the container, we estimate that the useful economic life for a standard dry freight container used in intermodal transportation is on average 12 years.

In 2006, the container shipping industry celebrated the 50th anniversary of the first standardized container voyage by sea. According to Drewry, this industry had grown to a $187.7 billion industry by December 2006, as measured by preliminary data of annual gross revenues of container shipping lines and, the volume of the industry, as measured by loaded container liftings, grew at a CAGR of 9.8% from 1980 to 2005. In addition, as of April 2007, the containership orderbook reached a level of 1,255 vessels, or 4.64 million TEU, representing 48% of the then current worldwide container ship capacity, according to Clarkson. We believe this increased vessel capacity should continue to drive the demand for intermodal containers.

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Over the last 25 years, containerized trade has grown at a rate greater than that of worldwide economic growth. According to *The Drewry Annual Container Market Review and Forecast 2006/2007,* worldwide containerized cargo volume grew from 1980 through 2005 at a rate of 9.8% per year. Drewry estimates that 2006 container cargo volume grew 10.3% over the prior year. In addition, according to Drewry, container trade is projected to grow by 9.8% in 2007 and 9.2% in 2008. Drewry forecasts that cargo volume will continue to grow at approximately 9.0% annually through 2011, as illustrated by the following chart:

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 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.

Current trends in containerized shipbuilding also support expectations for increased container demand. According to the Drewry report, current orders for container ships set to be delivered between 2007 and 2009 represent approximately 3.5 million TEU of shipping vessel capacity, or the equivalent of 40.2% of the existing container ship fleet. In the early days of containerization, shipping lines usually required three sets of containers per ship capacity. For example, a 2,000 TEU ship might require 6,000 TEU of containers to support it. Simply stated, one set was on the ship, another set was waiting to be loaded on to the ship, and the third set had just been unloaded. Today, with more frequent sailings, improved information technology and much larger ships better able to reposition empty containers, modern shipping lines require just under two sets of containers to support each ship. Nevertheless, due to the dramatic increase in the number and size of new container ships entering service, the number of containers required to support the world container ship fleet has continued to grow.

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. The percentage of leased containers utilized by shipping lines ranged from 43% to 54% from 1980 through 2006 and is expected to stay in the 42% to 43% range from 2007 to 2015. Given the uncertainty and variability of export volumes and

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the fact that shipping lines have difficulty in accurately forecasting their container requirements at different ports, the availability of containers for lease significantly reduces a shipping line s need to purchase and maintain excess container inventory. In addition, leasing a portion of their total container fleets enables shipping lines to serve their manufacturer and retailer 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.

While international containerized trade has grown rapidly and been consistently positive for the last twenty-five years, the shipping business has been characterized by cyclical swings due to lengthy periods of excess or scarce vessel capacity. We believe that these sustained periods of vessel supply/demand imbalances are mainly a function of the multi-year ordering and production cycle associated with the manufacture of new vessels, which requires shipping lines to estimate market growth many years into the future. Container leasing companies are partially insulated from the risks of these shipping cycles by the relatively short production time associated with the manufacture of new containers. Lead-times for new container orders are typically only a few months, so the rate of new container ordering can be quickly adjusted to reflect unexpected market changes.

Additionally, for most leasing companies, the percentage of containers on long-term lease has grown over the past ten years, while the percentage on master lease has declined. We believe that a majority of all leased containers are under long-term lease today, compared with approximately 40% ten years ago. As a result, changes in utilization have become less volatile for most leasing companies.

According to *Containerisation International Market Analysis: Container Leasing Market 2007*, intermodal leasing companies, as ranked by total TEU as of mid-2006, are as follows:

Company	**TEU(1)**
Textainer Group(2)	2,038
Triton Container Intl.	1,380
Florens Group(3)	1,107
TAL International	947
GESeaCo	936
Interpool Group(4)	708
CAI-Cont. Applications Inc.	624
Cronos Group	405
Gold Container	324
UES-Unit Equipment Services	269
GVC-Grandview Development	139
Carlisle Leasing	122
Amficon Leasing	114
XINES Ltd.	100
Waterfront Cont. Leasing	88
Blue Sky Intermodal	49
Other	539
Grand Total	**9,889**

(1) TEU numbers in thousands.

(2) Textainer TEU pro forma to include the addition of the containers of Capital for which we acquired management rights in July 2007.

(3) Includes containers leased to Cosco Container Lines.

(4) Includes containers on structured finance leases.

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Competitive Strengths

We believe that we have the following competitive strengths:

One of our major strengths is our demonstrated ability to generate attractive revenue streams, relative to most of our competitors, throughout the economic life of a container in marine service, which in the past has averaged approximately twelve years. This strength is due to our large size and global scale, experienced management team, proprietary information technology systems, and strong customer relationships.

Largest Container Lessor. We operate the world s largest fleet of leased intermodal containers. We believe that our scale, global presence, business model and long history have made us one of the more reliable suppliers of leased containers in our industry. We believe that these factors have historically enabled us to supply containers in locations around the world where our customers need them with some consistency.

Experienced Management Team. Our senior management has a long history in the industry. Our four most senior officers have an average of approximately 15 years of service with us and an average of 21 years in the container leasing industry. They have been through many business cycles, and understand the key drivers of the container leasing business.

Proprietary Information Technology Systems. We have developed proprietary IT systems that allow us to monitor container status and offer our customers a high level of service. Our systems include internet-based updates regarding container availability and booking status. We also have the ability to produce complete management reports for each portfolio of containers we own and manage.

Strong, Long-standing Relationships with Customers. Our scale, long presence in the business and reliability as a supplier of containers has resulted in strong relationships with our customers. Our top 25 customers, as measured by revenue, have leased containers from us for an average of over 21 years. Our customers include each of the world s 20 largest shipping lines, as measured by container vessel fleet size.

We have the international coverage, organization and resources to handle a variety of types of leases. Thus, at the termination of a term lease, we have the ability to either negotiate extending the term lease, accept the return of and re-lease the container, or to sell the containers utilizing our particular expertise in this area. This flexibility allows us more avenues to deploy our containers and therefore better optimizes our return.

Lease Types and Structures. We structure our initial long-term leases of new containers in an effort to reduce the percentage of containers that can be returned in lower demand locations. Our large customer base and worldwide presence makes us well-positioned to re-lease off-lease containers into a variety of master leases and special leases with other customers. We utilize our expertise in logistics to reposition off-lease containers from lower demand to higher demand locations where they can be re-leased at more attractive terms. Many of the U.S. military s demand locations are surplus locations for our shipping line customers. When containers are off-lease, we can re-lease them if the lease terms are acceptable, sell them at that location, or move them to a higher demand location or a better sale location.

Leading Seller of Used Containers. We believe we are one of the two largest sellers of used containers among container lessors. We believe that our experience in selling large quantities of containers at attractive prices generally optimizes the residual value of our fleet. It also enables us to serve some of our shipping line customers better by relieving them of the burden of disposing of their containers.

We are able to mitigate the effects of the cyclical container shipping/leasing industry on our profitability by striking a balance between owned and managed containers and generating revenue streams from diverse sources.

High Margin High Return Business Model. We believe that our business model of balancing the proportion of owned versus managed containers in our container fleet provides us over time with higher operating margins and higher returns on capital than would a model in which we only owned or only managed containers.

Diverse Revenue Streams. We derive revenues from leasing our owned containers, managing containers owned by third parties, buying and selling containers and supplying leased containers to the U.S. military. These multiple revenue streams provide for a diverse income base, mitigate the effects of our cyclical industry on our profitability and allow us to optimize our use of capital.

We have demonstrated our ability to increase the size of our container fleet by purchasing containers from container manufacturers and by acquiring existing container fleets or their management rights.

Strong, Long-standing Relationships with Manufacturers. As the leasing industry s largest buyer of new containers, averaging more than 90,000 TEU per year for the past 12 years, we have developed strong relationships with container manufacturers. These relationships, along with our large volume buying power and solid financial structure, enable us to purchase containers at attractive prices and foster our ability to source containers during periods of high demand.

Experienced Consolidator. Over the past 20 years, we have concluded eight transactions involving other lessors container fleets or management rights over those fleets, representing over 1,143,000 TEU in total. This experience provides us with a competitive advantage over other lessors who are less experienced in taking over ownership or management of other container fleets. We have demonstrated the ability to efficiently identify, analyze, structure and integrate the equipment and lease portfolios of other lessors. For example, we integrated the container fleet formerly managed by Gateway Management Services Limited, comprising 315,000 TEU, in three weeks. Furthermore, due to the flexibility and scalability of our infrastructure, these transactions result in significant increases in revenue without corresponding increases in expenses.

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 in the Industry. While a number of our competitors purchasing patterns have fluctuated over time, we have been a consistent purchaser of containers and intend to continue to make regular purchases of containers to replace older containers and increase the size of our fleet, thereby maintaining what we believe to be one of the youngest fleet age profiles among major lessors. 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 by maintaining strong relationships with manufacturers and growing our market share with our existing customers.

Pursue Attractive Acquisitions. 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. There has been significant consolidation in our industry. We believe that this trend will continue and will likely offer us opportunities for growth.

Continue to Focus on Operating Efficiency. We have a low cost structure, having brought down our fleet management cost from \$0.097 per CEU per day to \$0.051 per CEU per day and grown the number of CEU in our fleet per employee from 3,206 to 11,330, in each case over the last 10 years. Furthermore, 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 helping to improve our profitability.

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Grow Our Container Resale Business. Our container resale and trading business is a significant source of profits. We look to 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, sales price, cost of repair, and possible repositioning expenses. In order to improve the sales price of our containers, we often move them from the location where they are returned by the lessee to another location that has a higher market price. We benefit not only as a result of the increased sales price but also because we often receive rental revenue from a shipping line for the one-way lease of the container. We also buy and lease or resell containers from shipping line customers, container traders and other sellers of containers. We attempt to improve the sales price of these containers in the same manner as with containers from our fleet.

Grow Our U.S. Military Management Business. Our status as the main provider of leased intermodal containers to the U.S. military has resulted in a complementary source of demand for containers, usually in locations with lower shipping line demand, which grants us more flexibility in managing the remainder of our fleet. We seek to broaden and deepen our relationship with the U.S. military in order to provide the best possible customer service, while continuing to grow the business. We are currently in the fourth year of the SDDC contract, which, subject to yearly performance review and contract confirmation, may be renewed by the U.S. military on a yearly basis for a total contract period of up to ten years. Our latest performance rating in 2006 was Excellent with a score of 97%.

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 an advantage in terms of both cost and availability of capital.

Operations

We operate our business through a network of 14 regional and area offices and over 300 independent depots in more than 130 locations. We maintain four regional offices:

- Americas Region in Hackensack, New Jersey, responsible for North and South America;
- European Region in London responsible for Europe, the Mediterranean, the Middle East, and Africa;
- North Asia Region in Yokohama responsible for Japan, South Korea, and Taiwan; and
- South Asia Region in Singapore, responsible for Southeast Asia, the PRC (including Hong Kong) and Australia.

Regional vice presidents are in charge of regional leasing and operations. Marketing directors and assistants located in the region and area offices handle day-to-day marketing and collection activities. Our operations include a global sales force, container operations group, container resale group, and logistics services group. Our principal administrative office is located in San Francisco, California. Our registered office is in Hamilton, Bermuda.

Our Container Fleet

As of June 30, 2007, we operated 1,559,215 TEU. We attempt to continually invest in our container fleet each year in an effort to replace the older containers being retired from marine service and to build our fleet size. We purchased an average of 90,000 TEU per year over the past 12 years. Our ability to invest in our fleet on a consistent basis has been instrumental in our becoming the world s largest container lessor. Our container fleet consists primarily of standard dry freight containers. The containers that we lease are either owned outright by us, owned by third parties and managed by us or leased-in from third parties. The table below summarizes the composition of our fleet, in TEU, by type of containers as of June 30, 2007 (unaudited):

	Standard Dry Freight	Dry Freight Specialized	Total	Percent of Total Fleet
Managed	685,321	12,644	697,965	44.8%
Owned	811,459	4,578	816,037	52.3%
Finance leases and sub-leased units	44,590	623	45,213	2.9%
Total fleet	1,541,370	17,845	1,559,215	100.0%

Our containers are designed to meet a number of criteria outlined by the ISO. The standard criteria include the size of the container and the gross weight rating of the container. This standardization ensures that the widest possible number of transporters can use containers and it facilitates container and vessel sharing by the shipping lines. The standardization of the container is also an important element of the container leasing business since we can operate one fleet of containers that can be used by all of our major customers.

Maintenance and repair of our containers is performed by independent depots that we retain in major port areas and in-land locations. Such depots also handle and inspect containers that are either picked up or redelivered by lessees, and store containers that are not leased.

Our Leases

Most of our revenues are derived from leasing our fleet of containers to our core shipping line customers. The vast majority of our container leases are structured as operating leases, though we also provide customers with finance leases. Regardless of lease type, we seek to exceed our targeted return on our owned and managed containers over the life of each container by managing container utilization, lease rates, drop-off restrictions and the used container sale process. We lease containers under three different types of operating leases and also under finance leases.

Term leases

Term leases provide a customer with a specified number of containers for a specified period, typically ranging from three to five years, with an associated set of pick-up and drop-off conditions. Our term leases generally require our lessees to maintain all units on lease for the duration of the lease. Such leases provide us with enhanced cash flow certainty due to their extended duration and typically carry lower per diem rates than other lease types. As of June 30, 2007, 62.1% of our total on hire fleet, as measured in TEU, was on term leases.

As of June 30, 2007, our term leases had an average remaining duration of 2.1 years, assuming no leases are renewed. However, we believe that many of our customers will renew leases for containers that are less than sale age at the expiration of the lease. In addition, our containers typically remain on-hire at the contractual per diem rate for an average of an additional 13 months beyond the end of the contractual lease term, for leases that are not extended, due to the logistical requirements our customers face by having to return containers to specific drop-off locations.

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The following are the minimum future rentals for our total fleet at June 30, 2007, due under long-term leases (in thousands):

	(unaudited)
2007	$ 78,918
2008	115,666
2009	77,389
2010	42,272
2011 and thereafter	28,798
	$ 343,043

Some of our term leases give our customers Early Termination Options (ETOs). If exercised, ETOs allow customers to return containers prior to the expiration of the term lease. However, if an ETO is exercised, the customer is required to pay a penalty per diem rate that is applied retroactively to the beginning of the lease. As a result of this retroactive penalty, ETOs have historically rarely been exercised.

Master leases

Master leases provide a framework of terms and conditions pursuant to which lessees can lease containers on an as-needed basis for unspecified periods of time. Master lease terms and conditions are valid for a set period, typically one year, and provide the lessee with greater flexibility than is typical in term leases. Under our master leases, lessees know in advance their per diem rates and drop-off locations, subject to monthly drop-off port limits. In addition, under these master lease agreements, the lessee is generally not committed to leasing a minimum number of containers from us during the lease term and may generally return the containers to us at any time, subject to certain restrictions. Due to their flexibility and duration, master leases command higher per diem rates than term leases. A subset of master leases is our special leases, which are predominately round-trip Asia leases, allowing customers to return containers at any time but with restrictions on drop-off locations, generally in higher demand locations in Asia. As of June 30, 2007, 29.9% of our total on-hire fleet, as measured in TEU, was on master leases.

Spot leases

Spot leases provide the customer with containers for a relatively short lease period, and fixed pick-up and drop-off locations. Spot leases are generally used to position a container to a desired location for subsequent lease or sale. As of June 30, 2007, 5.4% of our total on hire fleet, as measured in TEU, was on spot leases.

Finance Leases

Finance leases provide our lessees with an alternative method to finance their container acquisitions. Finance leases are long-term in nature, typically ranging from three to eight years, usually the remainder of the container s useful life in marine services, and require relatively little customer service attention. They ordinarily require fixed payments over a defined period and provide lessees with a right to purchase the subject containers for a nominal amount at the end of the lease term. Per diem rates include an element of repayment of capital and, therefore, typically are higher than rates charged under term leases. Finance leases require the container lessee to keep the containers on lease for the entire term of the lease. Finance leases are reflected as Net investment in direct finance leases on our balance sheet. As of June 30, 2007, approximately 2.6% of our total on hire fleet, as measured in TEU, was on finance leases with an average remaining term of 1.8 years.

Damage Protection

Under all of our leases, 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. Any damage must be repaired at the expense of the lessee according to standardized guidelines promulgated by the Institute of International Container Lessors (IICL). Lessees are also required to obtain insurance to cover loss of the equipment on lease, public liability and property damage insurance as well as indemnify us from claims related to their usage of the leased containers. In some cases, DPP is provided whereby the lessee pays us (in the form of either a higher per-diem rate or a fixed one-time payment upon the return of a container) to assume a portion of the financial burden of repairs up to a pre-negotiated amount. This DPP does not cover damages from war or war risks, loss of a container, constructive total loss of the container, damages caused by contamination or corrosion from cargo, damages to movable parts and any costs incurred in removing labels, which are all responsibilities of the lessees. DPP is generally cancelable by either party with prior written notice. Maintenance is monitored through inspections at the time that a container is leased out and returned. We also maintain our own insurance to cover our containers when they are not on-hire to lessees or when the lessee fails to have adequate primary coverage, and third-party liability insurance for both on-hire and off-hire containers. In addition, we maintain insurance that would cover loss of revenue as a result of default under all of our leases, as well as the recovery cost or replacement value of all of our containers.

Lease Agreements

In general, our lease agreements consist of two basic elements, a master terms and conditions lease agreement, or a Master Agreement, and a lease schedule. Lease schedules contain the business terms (including daily rate, term duration and drop-off schedule, among other things) for specific leasing transactions, while Master Agreements outline the general rights and obligations of the lessor and lessee under all of the lease schedules covered by the Master Agreement. For most customers, we have a small number of Master Agreements (often one) and a large number of lease schedules.

Our standard Master Agreements generally require the lessees to pay rentals, depot charges, taxes and other charges when due, to maintain the containers in good condition and repair, to return the containers in good condition in accordance with the return conditions set forth in the Master Agreement, to use the containers in compliance with all laws, and to pay us for the value of the container as determined by us if the container is lost or destroyed. The default clause gives us certain legal remedies in the event that the lessee is in breach of the lease.

Re-leasing, Logistics and Depot Management

We believe that managing the period after termination of our containers first lease is one of the most important aspects of our business. The container shipping industry is characterized by large regional trade imbalances, with loaded containers generally flowing from export-oriented economies in Asia to North America and Western Europe. Because of these trade imbalances, container shipping lines have an incentive to return leased containers in North America and Western Europe to avoid the cost of shipping empty containers back to Asia. Successful management of the deployment of our containers after they come off their first lease requires disciplined re-leasing capabilities, logistics management, depot management, careful cost control and effective sales of used containers.

Re-leasing

Since our leases allow our lessees to return their containers, we typically lease a container several times during the time that it is part of our fleet. New containers can usually be leased with a limited sales and customer service infrastructure because initial leases for new containers typically cover large volumes of units and are fairly standardized transactions. Used containers, on the other hand, are typically leased in smaller transactions that are structured to accommodate pick-ups and returns in a variety of locations. Our utilization rates depend on our re-leasing capabilities. Factors that affect our ability to re-lease used containers include the size of our lessee base, ability to anticipate lessee needs, our presence in relevant geographic locations and the level of service we provide our lessees. We believe that our global presence and relationships with over 300 container lessees provide us an advantage in re-leasing our containers relative to many of our smaller competitors.

Logistics

Other methods of reducing off-lease risks include:

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

- *Taking advantage of a robust secondary resale market when available*. In order to optimize the investment return on a container, we have sold containers in our excess inventory when an analysis indicates it is financially more attractive than attempting to re-lease the container.

- *Seeking one-way lease opportunities to move containers from lower demand locations to higher demand locations*. One-way leases may include incentives, such as free days, credits and damage waivers. The cost of offering these incentives is generally less than the cost we would incur if we were to pay to reposition the containers. We also use one way leases to move containers from locations where the market price for selling containers is low to locations with a higher market price for containers, to improve the resale value of the containers.

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

- *Consistently purchasing containers in the PRC*. We purchase almost all of our new containers from manufacturers in the PRC. Certain ports in the PRC, including the locations where we purchase containers, are also generally higher demand locations. By consistently purchasing containers in the PRC, we have increased flexibility to reposition our existing containers to other higher demand locations while still maintaining good coverage of the locations in the PRC.

- *Diversifying our customers*. We have sought to diversify our customers and correspondingly, the locations where containers are needed around the world. The U.S. military often requires containers in lower demand areas, which then allows us more flexibility in repositioning our containers.

Depot Management

As of June 30, 2007, we managed our container fleet through more than 300 independent container depot facilities in more than 130 locations. Depot facilities are generally responsible for repairing containers when they are returned by lessees and for storing the containers while they are off-hire. Our operations group is responsible for managing our depot contracts and periodically visiting the depot facilities to conduct quality assurance audits to control costs and ensure repairs meet industry standards. We also supplement our internal operations group with the use of independent inspection agents. Furthermore, depot repair work is periodically audited to prevent over-charging. We are in regular communication with our depot partners through the use of electronic data interchange (EDI) and/or e-mail. The electronic exchange of container activity information with each depot is conducted via the internet. As of June 30, 2007, a large majority of our off-lease inventory was located at depots that are able to report notice of container activity and damage detail via EDI. We use the industry standard, ISO 9897 Container Equipment Data Exchange messages, for most EDI reporting.

Most of the depot agency agreements follow a standard form and generally provide that the depot will be liable for loss or damage of containers and, in the event of loss, will pay us the previously agreed loss value of the applicable containers. The agreements require the depots to maintain insurance against container loss or damage and we carry insurance to cover the risk when a depot s insurance proves insufficient.

Our container repair standards and processes are generally managed in accordance with standards and procedures specified by the IICL. The IICL establishes and documents the acceptable interchange condition for containers and the repair procedures required to return damaged containers to the acceptable interchange

condition. At the time that containers are returned by lessees, the depot arranges an inspection of the containers to assess the repairs required to return the containers to acceptable IICL condition. As part of the inspection process, damages are categorized either as lessee damage or normal wear and tear. Items typically designated as lessee damage include dents in the container and debris left in the container, while items such as rust are typically designated as normal wear and tear. In general, lessees are responsible for the lessee damage portion of the repair costs and we are responsible for normal wear and tear. The lessees are generally billed the lessee damage portion at the time the containers are returned. As discussed above in Operations Our Leases, for an additional fee, we sometimes offer our lessees a DPP, pursuant to which we assume financial responsibility for repair costs up to a pre-negotiated amount.

Management Services

As of June 30, 2007, we owned approximately 52% of the containers in our fleet, and managed the rest, equaling 743,178 TEU, on behalf of 12 container investors. We earn acquisition, management and disposal fees on managed containers. Our IT systems track revenues and operating expenses attributable to specific containers and the container investors receive payments based on the net operating income of their own containers. Fees to manage containers typically include acquisition fees of 1to 2% of the purchase price; daily management fees of 8 to 13% of net operating income; and disposal fees of 10% of cash proceeds when containers are sold. We earned combined acquisition, management and disposal fees on our managed fleet of $16,194, $15,472 and $17,942 for the years 2006, 2005 and 2004, respectively, and $10,141 and $6,574 for the six months ended June 30, 2007 and 2006, respectively. If operating expenses were to exceed revenues, the container investors would be obligated to pay the excess or we would deduct the excess, including our management fee, from future net operating income. In some cases, we are compensated for sales through a percentage sharing of sale proceeds over an agreed floor amount. We will typically indemnify the container investors for liabilities or losses arising from negligence, willful misconduct or breach of our obligations in managing the containers. The container investors will indemnify us as the manager against any claims or losses arising with respect to the containers, provided that such claims or losses were not caused by our negligence, willful misconduct or breach of our obligations. Typically, the terms of the management agreements are for the expected remaining useful life in marine services of the containers subject to the agreement.

Resale of Containers

Our Resale Division sells containers from our fleet, at the end of their useful lives in marine service, typically about 12 years, or when it is financially attractive for us to do so, considering the location, sale price, cost of repair, and possible repositioning expenses. In addition, we buy used containers (trading containers) from shipping lines and other third parties that we then lease or resell. Our Resale Division has a global team of 16 container sales and operations specialists in five offices globally that manage the sale process for these used containers as of June 30, 2007. We believe our Resale Division is one of the two largest sellers of used containers among container lessors, selling more than 45,600 containers per year for the last five years. Our Resale Division has become a significant profit center for us. From 2002 through 2006, this division has generated $16.2 million in income before taxes, including $5.5 million in fiscal year 2006. We generally sell to depots, domestic storage companies, freight forwarders (who often use the containers for one-way trips into less developed countries) and other purchasers of used containers. Due to the limited number of containers available for sale in North America and Europe and high new container prices, the container disposal market is currently very strong.

Military

In June 2003, we entered into a contract with the SDDC pursuant to which we serve as a major supplier of leased marine containers to the U.S. military. Compared to our shipping line customers, we provide a much broader level of services to the U.S. military under the SDDC contract. We have developed and currently operate a proprietary information system for the U.S. military which provides the U.S. military real-time access to the status of its leased fleet. Furthermore, unlike our shipping line customers, who pick up from and return containers to container depots, for the U.S. military we are required to arrange transportation from a container depot to a military facility upon lease out and to pick up a container at a military facility and return it to a container depot when the lease period has ended. This requires us to arrange for movement of the empty containers by truck, rail and/or vessel. The SDDC contract provides added compensation for these services. In addition, since approximately half of these services are required in non-U.S. locations, our expenses for contracting for these services may be incurred in foreign currencies. The SDDC contract contains a foreign currency adjustment feature such that we are protected against many foreign currency risks for the expenses incurred under the SDDC contract.

The SDDC is the only lessee for which we are required, under the SDDC contract, to provide all containers that they request. In the event that containers are not available within our fleet, we fulfill our obligations under the SDDC contract by purchasing new or used containers or subleasing containers and equipment from other leasing companies. This contract also allows the U.S. military to return containers in many locations throughout the world, but the rate of return of containers that we have experienced to date has been very low. Since the inception of the SDDC contract, we have delivered or transitioned more than 86,000 containers and chassis to the U.S. military, of which fewer than 18,200 containers have been returned. The SDDC contract was awarded with a one-year base period, with four one-year extension options, and with a potential for up to five additional one-year award terms, which award terms will be considered and awarded based on an annual performance review and confirmation. We have been informed that we have been awarded our fourth SDDC contract extension, at this stage extending the term until June 23, 2008. We also received an Excellent rating for our performance under the SDDC contract for 2006 (the last period reviewed), pursuant to the annual performance review required thereunder. If we continue to receive such high evaluations, the total contract period under the SDDC contract could extend for the full ten years.

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.

Underwriting and Credit Controls

We only lease to container shipping lines and other lessees that meet our credit criteria. Our credit approval process is rigorous and all of our underwriting and credit decisions are controlled by our credit committee, which is made up of senior management from different disciplines and includes our Chief Executive Officer, Chief Financial Officer and Executive Vice Presidents. Our credit committee sets different maximum exposure limits depending on our relationship and previous experience with each customer lessee and container sales customer. Credit criteria may include, but are not limited to, trade route, country, social and political climate, assessments of net worth, asset ownership, bank and trade credit references, credit bureau reports, operational history and financial strength.

Our credit department sets and reviews credit limits for new and existing customer lessees and container sales customers, monitors compliance with those limits on an on-going basis, monitors collections, and deals with customers in default. Our credit department actively maintains a credit watch report on our proprietary information technology systems, which is available to all regional and area offices. This report lists customer lessees and container sales customers at or near their credit limits. New leases of containers by customer lessees on the credit watch report would only be allowed with the approval of our credit department. Similarly, management may decide to stop sales of containers to purchasers whose payments are delinquent. Our underwriting processes are aided by the long payment experience we have with most of our customer lessees and container sales customers, our broad network of relationships in the container shipping industry that provide current information about customer lessees and container sales customers market reputations and our focus on collections.

Other factors reducing losses due to default by a lessee or customer include the strong growth in the container shipping industry, effective collection tools, our high recovery rate for containers in default situations and the re-marketability of our container fleet. The strong growth in the container shipping industry helps reduce the risk of customer defaults since the core assets of a poorly performing shipping line, its ships and containers, are generally needed to meet the demand for world containerized trade. As a result, poorly performing shipping lines are often acquired by other shipping lines. In addition, the law in several major port locations is highly favorable to creditors and many of our large customers call on ports that will allow us to arrest, or seize, the customers ships or fuel storage bunkers, or repossess our containers if the customer is in default under our container leases. Finally, we also purchase insurance for equipment recovery and loss of revenue due to customer defaults, in addition to the insurance that our customers are required to obtain.

During 2004 through 2006, we recovered, on average, approximately 98% of the containers that were the subject of defaulted contracts which had at least 1,000 CEU on lease. We typically incur operating expenses such as repairs and repositioning when containers are recovered after a default. However, all recovery expenses are typically covered under insurance and we are reimbursed above our deductible amount. Due to the above, over the last five years, our write offs of customer receivables have averaged less than 0.6% of our total operating revenue over such period, and we believe that our receivables and days outstanding are low for the container leasing industry.

Marketing and Customer Service

Our global sales and customer service force is responsible for developing and maintaining relationships with senior management staff at our shipping line customers, negotiating lease contracts and maintaining day-to-day coordination with operations staff at our customers. This close customer communication often assists us in negotiating lease contracts that satisfy both our financial return requirements and our customers operating needs. It also makes us more likely to be aware of our customers potential equipment shortages and makes our customer more likely to be aware of our available container inventories.

Our senior sales people have been with us for an average of 15 years and we believe that the quality of our customer relationships and the level of communication with our customers represent an important advantage for us. As of June 30, 2007, our global sales and customer service group consisted of approximately 85 people, with 23 in North America, 39 in Asia and Australia, 18 in Europe and five in Africa.

Customers

We believe that our staff, organization and long presence in the business has resulted in very strong relationships with our shipping line customers. Our top 25 customers, as measured by revenue, have leased containers from us for an average of over 21 years and have an average Dynamar credit rating, a common credit report used in the maritime sector, of 2.4. The Dynamar credit rating ranges from 1 to 10, with 1 indicating low credit risk. We have no customer that individually accounted for over 10% of our revenues in 2006, 2005 and 2004. Our top 25 customers include 20 of the 25 largest shipping lines, as measured by container vessel fleet size. We currently have containers on-hire to more than 300 customers. Our customers are mainly international shipping lines, but we also lease containers to freight forwarding companies and the U.S. military. Our five largest customers accounted for approximately 36% of our 2006 leasing revenues. Our top five customers by revenue in 2006 were Evergreen Marine Corp Ltd., the SDDC with the U.S. military, Hapag-Lloyd AG, A.P. Møller - MAERSK A/S, and CMA-CGM. Our largest customer is Evergreen, representing approximately 9% of our 2006 leasing revenues. For the fiscal years ended December 31, 2006, 2005 and 2004, revenue from our 25 largest container lessees by revenue represented 80.7%, 81.2% and 80.8% of total fleet container leasing revenue, respectively, with revenue from our single largest container lessee accounting for $28.9 million, $26.2 million and $22.3 million or 9.0%, 8.8% and 7.6% of container leasing revenue during the respective periods. For the six months ended June 30, 2007 and 2006, revenue from our 25 largest container lessees by revenue represented 80.3% and 81.1% of total fleet container leasing revenue, respectively, with revenue from our single largest

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container lessee accounting for $16.7 million and $13.1 million or 9.3% and 9.4% of container leasing revenue during the respective periods. A default by any of these major customers could have a material adverse impact on our business, financial condition and future prospects. In addition, the largest lessees of our owned fleet are often among the largest lessees of our managed fleet. The largest lessees of our managed fleet are responsible for a significant portion of the billings that generate our management fee revenue.

Proprietary Information Technology

We have developed proprietary IT systems that allow us to monitor container status and offer our customers a high level of service. Our systems include internet-based updates regarding container availability and booking status. Changes in container status are entered locally and replicated across the globe within 15 minutes. Our systems record the status of each of our containers individually by container number, provide design specifications for the equipment, track on-hire and off-hire transactions, match each on-hire container to a lease contract and each off-hire container to a depot contract, maintain the major terms for each lease contract, calculate depreciation, calculate the monthly bill for each customer and track and bill for container repairs. We also have the ability to produce complete management reports for each portfolio of equipment we own and manage. This makes us a preferred candidate to quickly assume management of competitors container fleets. We also maintain proprietary systems in support of our military business**.**

In addition, our systems allow our business partners to conduct certain businesses with us through our website, *www.textainer.com*. These systems allow customers to check our container inventories, review design specifications, request bookings for container pick-ups and review and approve repair bills. Our website also allows depots to download recent statements for self-billing activity and to check the status of containers.

Suppliers

We have long relationships with all of our major suppliers. We currently purchase all of our containers in the PRC. There are two major manufacturers of dry freight standard and specialized containers. Our operations staff reviews the designs for our containers and periodically audits the production facilities of our suppliers. In addition, we use our Asian operations group and third party inspectors to visit factories when our containers are being produced to provide an extra layer of quality control. Nevertheless, defects in our containers do sometimes occur. We work with the manufacturers to correct these defects, and our manufacturers have generally honored their warranty obligations in such cases.

Competition

According to the latest available data, the top ten container leasing companies control approximately 88%, and the top five container leasing companies control approximately 65%, of the total equipment held by all container lessors. According to this data, we are the world s largest lessor of intermodal containers based on fleet size and we manage approximately 21% of the equipment held by all container leasing companies. The customers for leased containers are primarily international shipping lines.

We compete with approximately ten other large or medium size container leasing companies, many smaller lessors, companies and financial institutions offering finance leases, and promoters of container ownership and leasing as a tax-efficient investment. It is common for our shipping line customers to utilize several leasing companies to meet their container needs.

Other lessors compete with us in many ways, including pricing, lease flexibility and supply reliability, as well as the location, availability, quality and individual characteristics of their containers and customer service. While we are forced to compete aggressively on price, we emphasize our supply reliability and high level of customer service to our customers. We invest heavily in our endeavors to ensure container availability in higher demand locations. We dedicate a large part of our organization to building customer relationships, maintaining close day-to-day coordination with customers operating staffs and have developed powerful and user-friendly systems that allow our customers to transact business with us through the internet. We believe that our close customer relationships, experienced staff, reputation for market leadership, scale efficiencies and proprietary systems provide important competitive advantages.

Properties and Facilities

As of June 30, 2007, our employees were located in 14 regional and area offices in 13 different countries. We have two offices in the U.S., including our principal administrative office in San Francisco, California and another office in Hackensack, New Jersey. We have 12 offices outside the U.S. in New Malden, United Kingdom; Hamburg, Germany; Durban, South Africa; Yokohama, Japan; Seoul, South Korea; Taipei, Taiwan; Singapore; Sydney, Australia; Jakarta, Indonesia; Port Kelang, Malaysia; Hong Kong, and Shanghai, China. We lease all of our office space. The lease for our San Francisco office expires in February 2012 and the lease for our Hackensack, New Jersey office expires in April 2012. In addition, we have agents who represent us in India, Pakistan, Sri Lanka, Thailand, and Vietnam. We also maintain a registered office in Bermuda, where we are incorporated.

We believe that our current facilities are adequate to meet current requirements and that additional or substitute space will be available as needed to accommodate our expected growth.

Employees

As of June 30, 2007, we employed 147 people. We believe that our relations with our employees are good and we are not a party to any collective bargaining agreements.

Legal Proceedings

On April 18, 2005, Textainer Equipment Income Fund; Textainer Equipment Income Fund II, L.P.; Textainer Equipment Income Fund III, L.P.; Textainer Equipment Income Fund IV, L.P.; Textainer Equipment Income Fund V, L.P.; and Textainer Equipment Income Fund VI, L.P. (collectively, the TEIF Partnerships), sold substantially all of their assets to RFH, Ltd. (RFH). At the time of this sale transaction, RFH engaged Textainer Equipment Management Limited, one of the general partners in each of the TEIF Partnerships, to manage the containers RFH bought.

Five lawsuits were filed between March 2005 and March 2007 in California state and federal court, initiated by certain limited partners of the TEIF Partnerships. Those lawsuits have been reduced to one consolidated class action pending in the San Francisco Superior Court. The federal action that was filed in the Northern District of the United States District Court was dismissed and the dismissal was timely appealed to the Ninth Circuit.

In the federal case, plaintiff Stephen L. Craig sued Textainer Equipment Management, Ltd., Textainer Financial Services Corporation, Textainer Capital Corporation, Textainer Limited, Textainer Group Holdings, Ltd. John Maccarone and RFH, Ltd. asserting violations of federal securities laws because proxy statements issued in connection with the sale of assets were allegedly materially false or misleading. The lawsuit sought equitable relief and an unspecified amount of damages, interest, fees and costs. The federal action was dismissed with prejudice on January 10, 2007, and has since been appealed. No decision on the appeal is expected from the Ninth Circuit until next year.

An amended consolidated complaint was filed in the state action on June 7, 2007. The named plaintiffs in the consolidated state action are Leonard Labow, Alan P. Gordon, Michael S. Schwartz (as Trustee of various trusts) and Stephen L. Craig. Plaintiffs sued Textainer Financial Services Corporation, Textainer Equipment Management Limited, Textainer Limited, Textainer Capital Corporation and RFH, Ltd asserting claims for alleged breach of fiduciary duty, and alleged aiding and abetting breach of fiduciary duty. These claims are based on alleged self dealing and conflicted transactions in entering into the asset sale. The complaint seeks an unspecified amount of damages, equitable relief, interest, fees and costs. While it is not possible to predict or determine the outcome of these lawsuits, we believe that these lawsuits are without merit. We intend to vigorously defend against the lawsuits. In addition, we believe we have insurance coverage of up to $15.0 million under our general insurance policy for these types of claims.

In addition, from time to time we are a party to litigation matters arising in connection with the normal course of our business. While we cannot predict the outcome of these matters, in the opinion of our management, any liability arising from these matters will not have a material adverse effect on our business. Nevertheless, unexpected adverse future events, such as an unforeseen development in our existing proceedings, new claims brought against us or changes in our current insurance arrangements could result in liabilities that have a material adverse impact on our business.

Two of our subsidiaries, Textainer Equipment Management U.S. Limited and Textainer Limited, are currently being audited by the U.S. Internal Revenue Service (the IRS). We first received notice from the IRS regarding the audit of Textainer Equipment Management U.S. Limited for the 2004 fiscal year on August 16, 2006 and first received notice regarding the audit of Textainer Limited for the 2004 and 2005 fiscal years on April 12, 2007. We are fully cooperating with the IRS regarding these audits. Currently, any potential additional tax liability due to these audits is not determinable.

Environmental

We are subject to federal, state, local and foreign laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants to air and water, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. We could incur substantial costs, including cleanup costs, fines and third-party claims for property 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 or the storage of our containers. Under some environmental laws in the U.S. and certain other countries, the owner or operator of a leased container may be liable for environmental damage, cleanup or other costs in the event of a spill or discharge of material from a container without regard to the fault of the owner or operator. While we maintain certain limited liability insurance coverage as well as require our lessees to provide us with indemnity against certain losses, the insurance coverage is subject to large deductibles, limits on maximum coverage and significant exclusions and may not be sufficient to protect against any or all liabilities and such indemnities may not cover or be sufficient to protect us against losses arising from environmental damage and/or systems or services we may be required to install.

Regulation

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, as amended, adopted by the International Maritime Organization, applies to new and existing containers and seeks to maintain a high level of safety of human life in the transport and handling of containers by providing uniform international safety regulations. As these regulations develop and change, we may incur increased compliance costs due to the acquisition of new, compliant containers and/or the adaptation of existing containers to meet any new requirements imposed by such regulations.

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DESCRIPTION OF INDEBTEDNESS

We currently utilize three types of debt financings: (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 extended to one of our subsidiaries, Textainer Limited, with a commitment of $75.0 million. Our secured debt facility is a conduit facility, which allows for recurring borrowings and repayments, granted to Textainer Marine Containers Limited, a subsidiary of Textainer 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 from the revolving credit facility described below. Textainer Limited then sells these containers at book value to Textainer Marine Containers Limited, which then finances part of the purchase price of the containers with borrowings under our secured debt facility. 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 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 our level of future purchases of containers for our owned fleet.

Credit Facility

Textainer Limited has a credit agreement with Bank of America, N.A. and certain lenders to provide it with a revolving credit facility in the amount of $75.0 million. The credit agreement also provides for a $25.0 million letter of credit facility included within the $75.0 million commitment (together, the credit facility). This credit facility provides for payments of interest only during its term, beginning on its inception date through January 31, 2009, with a provision for the credit facility to convert to a two-year fully amortizing term loan, payable after that date. There is a commitment fee of 0.25% on the unused portion of the credit facility, which is payable in arrears. In addition, there is an agent s fee on the commitment amount, which is payable quarterly in advance.

Under the terms of the credit facility, the total outstanding principal of all of our debt may not exceed an amount calculated pursuant to a formula based on a percentage of the net book value of our containers and our outstanding debt. Any outstanding letter of credit not cash collateralized will reduce the amount available under the credit facility. The credit facility maximum borrowing base was $49.1 million as of June 30, 2007. Textainer Group Holdings Limited and Textainer Limited must also meet certain financial covenants, including a minimum net worth level, a maximum leverage ratio and minimum debt service and interest coverage ratios. Textainer Group Holdings Limited must maintain a minimum consolidated tangible net worth equal to the sum of (i) $154.0 million, plus the amount by which such consolidated tangible net worth exceeds $191.498 million, (ii) 40% of the cumulative consolidated quarterly net income after December 31, 2005 through the date of determination and (iii) 100% of the aggregate proceeds of any public offering (net of reasonable out-of-pocket fees and expenses). Textainer Group Holdings Limited and Textainer Limited each must not permit its ratio of consolidated funded debt to consolidated tangible net worth to exceed 3.50 to 1.00 and 5.00 to 1.00, respectively. Textainer Group Holdings Limited must maintain at least a 1.10 to 1.00 ratio of its (x) consolidated net income, minus dividends paid, plus intangibles depreciation and amortization, to (y) current obligations. Textainer Group Holdings Limited must maintain at least a 1.35 to 1.00 ratio of its (A) consolidated net income, plus expenses for income tax, plus interest expense for borrowed money, plus operating lease expense for equipment, to (B) interest expense for borrowed money, plus operating lease expense for equipment. We were in compliance with all such covenants at June 30, 2007.

Principal amortization payments will be made on a quarterly basis, beginning on the last day of the first calendar quarter after the conversion date, which is currently established as January 31, 2009, thus, principal amortization would begin on March 31, 2009. Interest on the borrowings under the credit facility may, at our option, be based on either the U.S. prime rate or LIBOR plus a margin. As of June 30, 2007, $16.0 million was outstanding under the credit facility.

Although no repayment of the principal amount of outstanding borrowings is required until after the conversion date, we may make optional prepayments prior to the conversion date. Mandatory prepayments are required prior to the conversion date if the amount of outstanding loans and letters of credit exceeds the amount of the borrowing base. Any such prepayment will be in the amount required to reduce the amount of outstanding loans and letters of credit to the amount of the borrowing base.

The credit facility is secured by certain container-related assets of Textainer Limited. Textainer Group Holdings Limited acts as a guarantor of the credit facility. The guaranty is secured by shares of Textainer Marine Containers Limited, additional preference shares of Textainer Limited and certain of our other subsidiaries, and cash, assets readily convertible into cash and amounts due to us from our subsidiaries.

We have made certain representations and warranties in the credit agreement and are subject to certain reporting requirements and financial performance and other covenants. We are required to reaffirm certain representations and warranties as a condition to borrowing. If we are not able to do so, the committed borrowing amounts may not be available. The credit agreement restricts, among other things, our ability to consummate mergers, sell and acquire assets, make certain types of payments relating to our share capital, including dividends, incur indebtedness, permit liens on assets, make investments, enter into or amend certain contracts, enter into certain transactions with affiliates or redeem pledged shares in Textainer Marine Containers Limited.

Events of default under the credit agreement include, among others:

- a default in required payment on any indebtedness in excess of $250,000 (other than the credit facility) or the ability of any debt holder to accelerate any such indebtedness;
- a material adverse change of the company;
- unsatisfied judgments against us that could result in a material adverse change or that equal at least $250,000;
- failure of any of the security documents or a default under the guaranty;
- breach by Textainer Limited under any hedging agreement; and
- the occurrence of termination events under pension plans.

Secured Debt Facility

Textainer Marine Containers Limited has a securitization facility (secured debt facility) pursuant to which it has issued notes with a total commitment of $300.0 million in Floating Rate Asset Backed Notes, Series 2000-1 (2000-1 Notes) pursuant to the Second Amended and Restated Series 2000-1 Supplement, dated as of June 8, 2006 (the 2000-1 Supplement), to its Second Amended and Restated Indenture, dated as of May 26, 2005 (as amended as of June 3, 2005 and June 8, 2006, the Indenture). Our primary ongoing container financing requirements are funded by commitments under the secured debt facility. The secured debt facility provided a total commitment in the amount of $300.0 million as of June 30, 2007. Of this amount, $92.0 million had been drawn on as of June 30, 2007.

Prior to the conversion date (currently defined as June 6, 2008), each of the 2000-1 Notes is a revolving note with a maximum principal amount equal to the amount of that 2000-1 Note. As a result, the amount funded under such 2000-1 Note may be less than the face amount of that 2000-1 Note. Textainer Marine Containers Limited may request funding under the 2000-1 Notes from time to time prior to the conversion date. Each of the 2000-1 Notes provides for payments of interest only during the period from its inception until its conversion date. Given a conversion date of June 6, 2008, the first principal payment would be on July 15, 2008. However, we have the

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option of repaying principal of the 2000-1 Notes at any time. After the conversion date, the 2000-1 Notes fully amortize over a payment term that is scheduled to equal 10 years after the conversion date, but shall not exceed a maximum payment term of 15 years thereafter.

Payments of interest on the 2000-1 Notes are due monthly. Interest on the outstanding amounts of the 2000-1 Notes equal LIBOR plus a margin. Overdue payments of principal and interest of the 2000-1 Notes accrue interest at a rate of 2.0% above the interest rate ordinarily applicable to such amounts. There is a commitment fee on the unused portion of the commitments under the 2000-1 Notes, which is payable in arrears. Ultimate repayment of the principal of the 2000-1 Notes has been insured by Ambac Assurance Corporation.

Under the Indenture, Textainer Marine Containers Limited, Textainer Equipment Management Limited and Textainer Group Holdings Limited must maintain certain financial covenants, including a maximum EBIT ratio, maximum funded debt, minimum profits, minimum net worth, and maximum leverage ratio. Textainer Marine Containers Limited must maintain at least a 1.10 to 1.00 ratio of earnings (before interest expense and taxes) to interest expense. Textainer Equipment Management Limited may not incur more than $1,000,000 of consolidated funded debt. Textainer Equipment Management Limited must make at least $2,000,000 in after-tax profits annually and maintain a minimum consolidated tangible net worth of $5,000,000. Textainer Group Holdings Limited must maintain a ratio of consolidated funded debt to consolidated tangible net worth that is no greater than 4.00 to 1.00. We were in compliance with these requirements at June 30, 2007.

Bonds

Textainer Marine Containers Limited has also issued $580.0 million in Floating Rate Asset Backed Notes, Series 2005-1 (bonds) pursuant to its Series 2005-1 Supplement, dated as of May 26, 2005, to the Indenture under that securitization facility. The bonds are term notes. The bonds were purchased by various institutional investors.

Payments of principal and interest on the bonds are due monthly, although we may not prepay the bonds before June 15, 2008. The bonds fully amortize on a straight-line basis over a payment term that is scheduled to equal 10 years (with a target final payment date of May 15, 2015), but shall not exceed a maximum payment term of 15 years (with a legal final payment date of May 15, 2020). Under a 10-year amortization schedule, $58.0 million of principal of the bonds will amortize per year. The interest rate applicable to the bonds equals one-month LIBOR plus a margin. Overdue payments of principal and interest of the bonds accrue interest at a rate of 2.0% above the interest rate ordinarily applicable to such amounts. Ultimate repayment of the bonds has been insured by Ambac Assurance Corporation.

The secured debt facility and the bonds are both governed by the Indenture and are secured by a pledge of, among other things, our containers, certain contracts related to our containers and the securitization facility, certain bank accounts, proceeds from the operation of our containers, and all other assets of Textainer Marine Containers Limited to the extent that they relate to the containers. Under the terms of the secured debt facility and the bonds, the total outstanding principal of these two programs may not exceed an amount which is calculated by a formula based on Textainer Marine Containers Limited s book value of equipment, restricted cash and direct finance leases. The secured debt facility and the bonds also contain restrictive covenants regarding the average age of the securitization entity s container fleet, ability to incur other obligations and to distribute earnings, and overall asset base minimums, with which the securitization entity and our container management subsidiary were in compliance at June 30, 2007.

We have made certain representations and warranties and are subject to certain reporting requirements and other covenants in connection with the Indenture and the secured debt facility and bonds. In addition, we are required to reaffirm certain representations and warranties as a condition to borrowing. If we are not able to do so, the committed borrowing amounts may not be available. These covenants restrict, among other things,

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Textainer Marine Containers Limited s ability to transfer the collateral, permit liens on collateral, engage in activities within the U.S., incur indebtedness, make loans or guarantees, consummate mergers, sell assets, enter into or amend certain contracts, create subsidiaries and make investments. We were in compliance with all such covenants at June 30, 2007.

Events of default under the 2000-1 Notes and the bonds include, among others:

- invalidity of the lien on collateral;
- certain defaults under other documents related to each of the notes;
- the funded notes exceeding the asset base;
- payment on the notes by the insurer thereof;
- Textainer Marine Containers Limited becoming obligated to register as an investment company under the Investment Company Act; and
- the occurrence of certain ERISA events.

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MANAGEMENT

Executive Officers, Directors and Key Employees

The following table sets forth information regarding our executive officers and directors as of September 21, 2007. Our board of directors is elected annually and each director holds office until his successor has been duly elected, except in the event of his death, resignation, removal or earlier termination of his office. Our board of directors and shareholders have approved an amendment to our bye-laws, effective immediately prior to the completion of this offering, to provide for, among other things, the election of our board of directors on a staggered basis. The business address of each of our executive officers is c/o Textainer Equipment Management (U.S.) Limited, 650 California Street, 16th Floor, San Francisco, California 94108. The business address for each of our non-management directors is Century House, 16 Par-La-Ville Road, Hamilton HM HX, Bermuda.

Following the adoption of our restated bye-laws, our board of directors will be elected annually on a staggered basis, with each director holding office until his successor has been duly elected, except in the event of his death, resignation, removal or earlier termination of his office. Neil I. Jowell, Cecil Jowell, David M. Nurek and Hendrik R. van der Merwe will be designated Class III directors, to hold office until our 2008 annual general meeting of shareholders, James A. Owens, Isam K. Kabbani and James E. McQueen will be designated Class II directors, to hold office until our 2009 annual general meeting of shareholders, and John A. Maccarone, Dudley R. Cottingham, Hyman Shwiel and James E. Hoelter will be designated Class I directors, to hold office until our 2010 annual general meeting of shareholders. Thereafter, directors in each class shall be elected for three year terms. Directors may be re-elected when their term of office expires.

Trencor, through the Halco Trust and Halco, holds beneficiary interest in approximately 71.7% of our outstanding share capital. See Business History and Corporate Structure for an explanation of the relationship between us and Trencor. As indicated below, six of our directors are also directors of Trencor.

Executive Officers and Directors	Age	Position
Neil I. Jowell(1)(2)(3)(4)	74	Chairman
Dudley R. Cottingham(1)(2)(3)(5)	55	Director, Vice President, Secretary
James E. Hoelter(1)(2)(3)(4)	68	Director
Cecil Jowell(4)	72	Director
Isam K. Kabbani	72	Director
John A. Maccarone	62	Director, President and Chief Executive Officer
James E. McQueen(1)(4)	63	Director
David M. Nurek(2)(3)(4)	57	Director
James A. Owens	67	Director
Hyman Shwiel(1)(2)(3)	63	Director
Hendrik R. van der Merwe(4)	60	Director, First Vice President
Philip K. Brewer	50	Executive Vice President
Robert D. Pedersen	48	Executive Vice President
Ernest J. Furtado	51	First Vice President, Senior Vice President, Chief Financial Officer & Assistant Secretary

(1) Member of the audit committee. Messrs. Cottingham and Shwiel are voting members and Messrs. Hoelter, Neil Jowell and McQueen are non-voting members.

(2) Member of the compensation committee.

(3) Member of the nominating and governance committee.

(4) Director of Trencor, the indirect beneficiary of a majority of our share interest.

(5) Mr. Cottingham has tendered his resignation from all officer and employee positions (excluding, for the avoidance of doubt, the position of director) with us and our subsidiaries, effective upon the listing of our shares on the NYSE, in order to serve on our audit committee as an independent director.

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Certain biographical information about each of these individuals is set forth below.

Directors

Dudley R. Cottingham has been a member of our board of directors and our assistant secretary or secretary since December 1993. He has also served in the past as president of certain of our subsidiaries. Mr. Cottingham has over 30 years experience in public accounting for a variety of international and local clients. He is a director of Morris Cottingham Corporate Services, located in the Turks and Caicos Islands, and is a director and the audit committee chairman of Bermuda Press (Holdings) Ltd., a newspaper publishing and commercial printing company listed on the Bermuda Stock Exchange. He has been a partner with Arthur Morris and Company, a provider of audit and accounting services for international clients, since 1982, and has served as vice president and director of Continental Management Ltd., a Bermuda company providing corporate representation, administration and management services, since 1982 and Continental Trust Corporation Ltd., a Bermuda company that provides corporate and individual trust administration services, since 1994. Mr. Cottingham is a chartered accountant.

James E. Hoelter has been a member of our board of directors since December 1993 and was our president and chief executive officer from that time until his retirement in December 1998. Mr. Hoelter is a non-executive member of the board of directors of Trencor and a member of Trencor s audit committee. He is the president of Freightmasters Associates, Inc., a company that provides consulting services for the international freight carrying industry. He is also a member of the board of directors of TrenStar, Inc., a mobile equipment management company based in Denver, Colorado and a subsidiary of Trencor. Mr. Hoelter received a Bachelor of Business Administration degree from the University of Wisconsin and a M.B.A. from the Harvard Business School.

Cecil Jowell has been a member of our board of directors since March 2003. Mr. C. Jowell is also a director and chairman of Mobile Industries, a public company quoted on the JSE. Mr. C. Jowell has been a director of Mobile Industries since 1969 and was appointed chairman in 1973. Mobile Industries holds an approximately 46% interest in Trencor. Mr. C. Jowell is a non-executive director of Trencor and was an executive of Trencor for over 40 years. He has also served as a director and chairman of WACO International Ltd., an international industrial group listed on the JSE. Mr. C. Jowell holds a Bachelor of Commerce and LL.B. degrees from the University of Cape Town and is a graduate of the Institute of Transport.

Neil I. Jowell has served as our director and chairman since December 1993. Mr. N. Jowell also serves on the board of directors of Trencor. He has been a director of Trencor since 1966, and was appointed chairman in 1973. He is also a director of Mobile Industries, and has served on its board of directors since 1969. Mr. N. Jowell has over 50 years experience in the transportation industry. He holds an M.B.A. from Columbia University and Bachelor of Commerce and LL.B. degrees from the University of Cape Town. Mr. Neil I. Jowell and Mr. Cecil Jowell are brothers.