HARTE HANKS INC
Form 4
October 01, 2013

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Paulsin Michael P

(Last) (First) (Middle)

9601 MCALLISTER FREEWAY, SUITE 610

(Street)

SAN ANTONIO, TX 78216

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
HARTE HANKS INC [HHS]

3. Date of Earliest Transaction (Month/Day/Year)
09/27/2013

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Sr. VP and President, Shoppers

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	09/27/2013		D		35,334	D	$ 8.86 (1)	12,372	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Option (right to buy)	$ 26.31	09/27/2013		D			5,000	09/21/2007	09/21/2015	Common Stock	5,000
Employee Stock Option (right to buy)	$ 25.8	09/27/2013		D			10,000	01/25/2008	01/25/2016	Common Stock	10,000
Employee Stock Option (right to buy)	$ 26.07	09/27/2013		D			20,000	02/05/2009	02/05/2017	Common Stock	20,000
Employee Stock Option (right to buy)	$ 15.9	09/27/2013		D			25,000	02/05/2010	02/05/2018	Common Stock	25,000
Employee Stock Option (right to buy)	$ 11.9	09/27/2013		D			55,000	02/05/2012	02/05/2020	Common Stock	55,000
Employee Stock Option (right to buy)	$ 12.31	09/27/2013		D			4,000	02/05/2012	02/05/2021	Common Stock	4,000
Employee Stock Option (right to buy)	$ 9.91	09/27/2013		D			28,000	02/05/2013	02/05/2022	Common Stock	28,000
	$ 6.04	09/27/2013		D			70,000	02/05/2011	02/05/2019		70,000

Employee Stock Option (right to buy)								Common Stock	
Employee Stock Option (right to buy)	$ 7.72	09/27/2013		D		20,000	02/05/2014	02/05/2023	Common Stock	20,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Paulsin Michael P 9601 MCALLISTER FREEWAY SUITE 610 SAN ANTONIO, TX 78216			Sr. VP and President, Shoppers	

Signatures

/s/ Robert L. R. Munden, Power of Attorney	10/01/2013
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) These shares of common stock were unvested and were cancelled by the issuer pursuant to the terms of its 2005 Omnibus Incentive Plan in exchange for $8.86 per share, the fair value of the common stock on the transaction date.

(2) This option was cancelled by the issuer pursuant to the terms of its 2005 Omnibus Incentive Plan in exchange for a payment equal to the in-the-money value of such option (if any) on the transaction date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ont-family:Times New Roman" SIZE="2">$(211) $31,037

Total assets

$1,325,678 $113,655 $1,206 $601 $3,982 $(28,806) $1,416,316

Purchases of long-lived assets

$89,770 $83 $ $ $ $ $89,853

Three Months Ended

June 30, 2009

Lease rental income

$43,830 $ $ $366 $ $ $44,196

Management fees

7,618 2,411 451 (4,446) 6,034

Trading container sales proceeds

1,423 1,423

Gains on sale of containers, net

2,785 2,785

Total revenue

$46,615 $7,618 $3,834 $817 $ $(4,446) $54,438

Depreciation expense

$11,534 $186 $ $5 $ $(464) $11,261

Interest expense

$3,012 $ $ $ $ $ $3,012

Unrealized gains on interest rate swaps, net

$6,733 $ $ $ $ $ $6,733

Segment income before taxes

$36,470 $979 $1,689 $245 $(696) $314 $39,001

Total assets

$1,146,163 $121,980 $1,364 $1,133 $2,117 $(24,861) $1,247,896

Purchases of long-lived assets

$9,694 $14,033 $ $ $ $ $23,727

22

Table of Contents

TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

June 30, 2010 and 2009

(Unaudited)

(All currency expressed in United States dollars in thousands)

Six Months Ended June 30, 2010	**Container Ownership**	**Container Management**	**Container Resale**	**Military Management**	**Other**	**Eliminations**	**Totals**
Lease rental income	$ 105,557	$	$	$ 765	$	$	$ 106,322
Management fees		18,617	5,601	930		(11,843)	13,305
Trading container sales proceeds			7,424				7,424
Gains on sale of containers, net	16,661	11					16,672
Total revenue	$ 122,218	$ 18,628	$ 13,025	$ 1,695	$	$ (11,843)	$ 143,723
Depreciation expense	$ 26,688	$ 383	$	$ 10	$	$ (1,050)	$ 26,031
Interest expense	$ 5,435	$	$	$	$	$	$ 5,435
Unrealized losses on interest rate swaps, net	$ 6,328	$	$	$	$	$	$ 6,328
Segment income before taxes	$ 51,895	$ 2,792	$ 5,073	$ 363	$ (1,534)	$ 135	$ 58,724
Total assets	$ 1,325,678	$ 113,655	$ 1,206	$ 601	$ 3,982	$ (28,806)	$ 1,416,316
Purchases of long-lived assets	$ 122,516	$ 157	$	$	$	$	$ 122,673

Six Months Ended June 30, 2009							
Lease rental income	$ 92,467	$	$	$ 824	$	$	$ 93,291
Management fees		17,176	3,870	903		(10,071)	11,878
Trading container sales proceeds			3,688				3,688
Gains on sale of containers, net	5,165	(3)					5,162
Total revenue	$ 97,632	$ 17,173	$ 7,558	$ 1,727	$	$ (10,071)	$ 114,019
Depreciation expense	$ 22,962	$ 367	$	$ 8	$	$ (924)	$ 22,413
Interest expense	$ 6,312	$	$	$	$	$	$ 6,312
Unrealized gains on interest rate swaps, net	$ 8,062	$	$	$	$	$	$ 8,062

Segment income before taxes	$ 60,032	$ 3,919	$ 2,768	$ 609	$ (1,466)	$ (167)	$ 65,695
Total assets	$ 1,146,163	$ 121,980	$ 1,364	$ 1,133	$ 2,117	$ (24,861)	$ 1,247,896
Purchases of long-lived assets	$ 13,287	$ 14,219	$	$	$	$	$ 27,506

General and administrative expenses are allocated to the reportable business segments based on direct overhead costs incurred by those segments. Amounts reported in the Other column represent activity unrelated to the active reportable business segments. Amounts reported in the Eliminations column represent inter-segment management fees between the Container Management and Container Ownership segments.

Geographic Segment Information

The Company s container lessees use containers for their global trade utilizing many worldwide trade routes. The Company earns its revenue from international carriers when the containers are on lease. Substantially all of the Company s leasing related revenue is denominated

23

Table of Contents

TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

June 30, 2010 and 2009

(Unaudited)

(All currency expressed in United States dollars in thousands)

in U.S. dollars. Since all of the Company s containers are used internationally, where no one container is domiciled in one particular place for a prolonged period of time, all of the Company s long-lived assets are considered to be international with no single country of use and, therefore, it is not possible for the Company to disclose an accurate breakdown of its revenue by geographic market.

(8) Commitments and Contingencies

(a) Restricted Cash

Restricted interest-bearing cash accounts were established by the Company as additional collateral for outstanding borrowings under the Company s Secured Debt Facility and 2005-1 Bonds. The total balance of these restricted cash accounts was $13,719 and $6,586 as of June 30, 2010 and December 31, 2009, respectively.

(b) Container Commitments

At June 30, 2010, the Company had placed orders with manufacturers for containers to be delivered subsequent to June 30, 2010 in the total amount of $44,017.

(c) Trading Container Purchase and Commitments

On September 1, 2009, the Company entered into an agreement with a shipping line to purchase up to $9,172 of containers to be resold. The agreement expires at the end of August 2010 or when all the equipment has been delivered. At June 30, 2010, $1,338 of containers remain to be purchased under this agreement.

(9) Share Option and Restricted Share Unit Plan

As of June 30, 2010, the Company maintained one active share option and restricted share unit plan, the 2007 Plan. The 2007 Plan provides for the grant of share options, restricted shares, restricted share units, share appreciation rights and dividend equivalent rights. The 2007 Plan provides for grants of incentive share options only to the Company s employees or employees of any parent or subsidiary of TGH. Awards other than incentive share options may be granted to the Company s employees, directors and consultants or the employees, directors and consultants of any parent or subsidiary of TGH. Under the 2007 Plan, which was approved by the Company s shareholders on September 4, 2007, a maximum of 3,808,371 share awards may be granted under the plan. On February 23, 2010, the Company s Board of Directors approved an increase in the number of shares available for future issuance by 1,468,500, which was approved by the Company s shareholders at the annual meeting of shareholders on May 19, 2010. At June 30, 2010, 2,084,510 shares were available for future issuance under the 2007 Plan.

Share options are granted at exercise prices equal to the fair market value of the shares on the grant date. Each employee s options vest in increments of 25% per year beginning approximately one year after an option s grant date. Unless terminated pursuant to certain provisions within the share option plans, including discontinuance of employment with the Company, all unexercised options expire ten years from the date of grant.

Beginning approximately one year after a restricted share unit s grant date, each employee s restricted share units vest in increments of 15% per year for the first two years, 20% for the third year and 25% per year for the fourth and fifth year.

Share-based compensation expense for the three months ended June 30, 2010 and 2009 of $1,068 and $855, respectively, and for the six months ended June 30, 2010 and 2009 of $3,261 and $1,669, respectively, was recorded as a part of long-term incentive compensation expense in the condensed consolidated statements of income for share options and restricted share units awarded to employees under the 2007 Plan. The increase in share-based compensation expense for the six months ended June 30, 2010 compared to the six months ended June 30, 2009 was due to forfeiture rate adjustments to prior periods and additional share options and restricted share units that were granted under the 2007 Plan in November 2009.

24

Table of Contents

TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

June 30, 2010 and 2009

(Unaudited)

(All currency expressed in United States dollars in thousands)

The following is a summary of activity in the Company s 2007 Plan for the six months ended June 30, 2010:

	Share options (common share equivalents)	Weighted average exercise price
Balances, December 31, 2009	1,502,916	$ 15.01
Options granted during the period		$
Options exercised during the period	(163,175)	$ 14.43
Options forfeited during the period		$
Balances, June 30, 2010	1,339,741	$ 15.08
Options exercisable at June 30, 2010	419,074	$ 15.91
Options vested and expected to vest at June 30, 2010	1,279,203	$ 15.11

	Restricted share units	Weighted average grant date fair value
Balances, December 31, 2009	1,346,506	$ 12.59
Share units granted during the period		$
Share units vested during the period	(193,241)	$ 12.38
Balances, June 30, 2010	1,153,265	$ 12.63
Share units outstanding and expected to vest at June 30, 2010	1,046,260	$ 13.92

No share options or restricted share units were granted during the six months ended June 30, 2010. As of June 30 2010, $10,767 of total compensation cost related to non-vested share option and restricted share unit awards not yet recognized is expected to be recognized over a weighted average period of 2.5 years. The aggregate intrinsic value of all options exercisable and outstanding, which represents the total pre-tax intrinsic value, based on the Company s closing common share price of $24.14 per share as of June 30, 2010 was $3,450 and $12,134, respectively. The aggregate intrinsic value is calculated as the difference between the exercise prices of the Company s share options that were in-the-money and the market value of the common shares that would have been issued if those share options were exercised as of June 30, 2010.

Table of Contents

TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

June 30, 2010 and 2009

(Unaudited)

(All currency expressed in United States dollars in thousands)

The following table summarizes information about share options exercisable and outstanding at June 30, 2010:

	Share options exercisable		Share options outstanding	
	Number of shares (in thousands)	Weighted average exercise price	Number of shares (in thousands)	Weighted average exercise price
Range of per-share exercise prices:				
$7.10 - $7.10	25,984	$ 7.10	211,948	$ 7.10
$14.01 - $14.01	1,728	14.01	3,456	14.01
$16.50 - $16.50	391,362	16.50	905,433	16.50
$16.97 - $16.97			218,904	16.97
	419,074	$ 15.91	1,339,741	$ 15.08

The weighted average contractual life of share options exercisable and share options outstanding as of June 30, 2010 was 7.4 years and 7.8 years, respectively.

(10) Comprehensive Income

The following table provides a reconciliation of the Company s net income to total comprehensive income attributable to Textainer Group Holdings Limited common shareholders:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Net income	$ 28,383	$ 37,501	$ 55,456	$ 62,039
Other comprehensive income:				
Foreign currency translation adjustments	(16)	96	(62)	26
Total comprehensive income	28,367	37,597	55,394	62,065
Less: comprehensive income attributable to noncontrolling interest	(3,306)	(6,483)	(6,140)	(10,110)
Total comprehensive income attributable to Textainer Group Holdings Limited common shareholders	$ 25,061	$ 31,114	$ 49,254	$ 51,955

(11) Dividend

On August 11, 2010, the Company s board of directors approved and declared a quarterly cash dividend of $0.25 per share on the Company s issued and outstanding common shares, payable on September 1, 2010 to shareholders of record as of August 23, 2010.

26

Table of Contents

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto included in Item 1. Condensed Consolidated Financial Statements (Unaudited) of this Quarterly Report on Form 6-K, as well as our audited consolidated financial statements and notes thereto included in our Annual Report on Form 20-F for the fiscal year ended December 31, 2009 furnished to the U.S. Securities and Exchange Commission (the SEC) on March 17, 2010 (our 2009 Form 20-F). 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; Cautionary Language. Factors that could cause or contribute to these differences include those discussed below and Item 3, Key Information Risk Factors included in our 2009 Form 20-F.

As used in the following discussion and analysis, unless indicated otherwise or the context otherwise requires, references to: (1) Textainer, the Company, we, us or our refer collectively to Textainer Group Holdings Limited, the issuer of the publicly-traded common shares that has been registered pursuant to Section 12(b) of the U.S. Securities Exchange Act of 1934, as amended, 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; and (7) container investors means the owners of the containers in our managed fleet.

Dollar amounts in this section of this Quarterly Report on Form 6-K 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, with a total fleet of 1.5 million containers, representing over 2.2 million TEU, in our owned and managed fleet as of June 30, 2010. We lease containers to more than 400 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. 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 96,000 TEU of new containers per year for the past 10 years, and have been one of the largest purchasers of new containers among container lessors over the same period. We are one of the largest sellers of used containers among container lessors, having sold more than 100,000 during the last year to more than 1,000 customers. We provide our services worldwide via a network of regional and area offices and independent depots. Trencor, a company publicly traded on the JSE Limited in Johannesburg, South Africa, and its affiliates currently have beneficiary interest in a majority of our issued and outstanding common shares.

We operate our business in four core segments:

Container Ownership. As of June 30, 2010, we owned containers accounting for approximately 46% of our fleet.

Container Management. As of June 30, 2010, we managed containers on behalf of 16 affiliated and unaffiliated container owners, providing acquisition, management and disposal services. As of June 30, 2010, these managed containers account for approximately 54% 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 we believe 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.

Table of Contents

Military Management. We lease containers to the U.S. military pursuant to the Surface Deployment and Distribution Command (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.

The table below summarizes the composition of our fleet, in TEU, by type of containers, as of June 30, 2010:

	Standard Dry Freight	Specialized	Total	Percent of Total Fleet
Managed	1,159,971	26,991	1,186,962	53.6%
Owned	989,666	38,189	1,027,855	46.4%
Total fleet	2,149,637	65,180	2,214,817	100.0%

Our owned and managed lease fleet as of June 30, 2010 based on TEU on hire as a percentage of total TEU on hire was as follows:

	Percent of Total On-Hire Fleet
Term leases	70.82%
Master leases	21.63%
Direct financing and sales-type leases	3.89%
Spot leases	3.66%
Total	100.00%

The following table summarizes our average total fleet utilization (CEU basis) for the three and six months ended June 30, 2010 and 2009:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Utilization	95.3%	86.9%	92.7%	88.7%

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.

The following is a reconciliation of net income attributable to Textainer Group Holdings Limited common shareholders to the Company s definition of EBITDA for the three and six months ended June 30, 2010 and 2009 and a reconciliation of net cash flows provided by operating activities to EBITDA for the six months ended June 30, 2009 and 2010. EBITDA (defined as net income attributable to Textainer Group Holdings Limited common shareholders before interest income and interest expense, realized losses on interest rate swaps, net, unrealized losses (gains) on interest rate swaps, net, income tax expense, net income attributable to the noncontrolling interest, depreciation and amortization expense and the related impact on net income attributable to the noncontrolling interest) is not a financial measure calculated in accordance with United States generally accepted accounting principles (GAAP) and should not be considered as an alternative to net income attributable to Textainer Group Holdings Limited common shareholders, net income, income from operations or any other performance measure derived in accordance with GAAP or as an alternative to cash flows from operating

Table of Contents

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, our ability to service our long-term debt and other fixed obligations and our ability to fund our expected 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 as follows:

- EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA 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;
- EBITDA 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 EBITDA differently than we do, limiting its usefulness as a comparative measure.

Table of Contents

	Three Months Ended June 30, 2010	2009	Six Months Ended June 30, 2010	2009
	(Dollars in thousands) (Unaudited)		(Dollars in thousands) (Unaudited)	
Reconciliation of EBITDA:				
Net income attributable to Textainer Group Holdings Limited common shareholders	$ 25,077	$ 31,018	$ 49,316	$ 51,929
Adjustments:				
Interest income	(3)	(17)	(6)	(51)
Interest expense	2,781	3,012	5,435	6,312
Realized losses on interest rate swaps and caps, net	2,354	3,799	5,107	7,702
Unrealized losses (gains) on interest rate swaps, net	4,728	(6,733)	6,328	(8,062)
Income tax expense	2,654	1,500	3,268	3,656
Net income attributable to the noncontrolling interest	3,306	6,483	6,140	10,110
Depreciation expense	13,188	11,261	26,031	22,413
Amortization expense	1,575	1,849	3,152	3,459
Impact of reconciling items on net income attributable to the noncontrolling interest	(4,058)	(1,699)	(7,481)	(4,845)
EBITDA	$ 51,602	$ 50,473	$ 97,290	$ 92,623
Net cash provided by operating activities			$ 73,290	$ 57,839
Adjustments:				
Bad debt recovery (expense), net			481	(2,194)
Amortization of debt issuance costs			(1,019)	(1,235)
Amortization of acquired above-market leases			(283)	(756)
Amortization of deferred revenue			3,573	
Amortization of unearned income on direct financing and sales-type leases			4,121	5,179
Gains on sale of containers and lost military containers, net			17,018	5,330
Gain on early extinguishment of debt				19,398
Share-based compensation expense			(3,261)	(1,669)
Interest expense			5,435	6,312
Interest income			(6)	(51)
Realized losses on interest rate swaps and caps, net			5,107	7,702
Income tax expense			3,268	3,656
Changes in operating assets and liabilities			(2,953)	(2,043)
Impact of reconciling items on net income attributable to the noncontrolling interest			(7,481)	(4,845)
EBITDA			$ 97,290	$ 92,623

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

30

Table of Contents

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.

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 and the impact of changing prices on the residual value of our owned containers;
- remarketing risk
- availability of credit to our customers;
- 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 regarding these and other factors that may affect our business and results of operations, see Item 3, *Key Information Risk Factors* included in our 2009 Form 20-F.

Results of Operations

Comparison of the Three and Six Months Ended June 30, 2010 and 2009

The following table summarizes our total revenues for the three and six months ended June 30, 2010 and 2009 and the percentage changes between those periods:

	Three Months Ended June 30,		% Change Between	Six Months Ended June 30,		% Change Between
	2010	2009	2010 and 2009	2010	2009	2010 and 2009
	(Dollars in thousands)			(Dollars in thousands)		
Lease rental income	$ 56,741	$ 44,196	28.4%	$ 106,322	$ 93,291	14.0%
Management fees	6,897	6,034	14.3%	13,305	11,878	12.0%
Trading container sales proceeds	3,612	1,423	153.8%	7,424	3,688	101.3%

Gain on sale of containers, net	7,274	2,785	161.2%	16,672	5,162	223.0%
Total revenues	$ 74,524	$ 54,438	36.9%	$ 143,723	$ 114,019	26.1%

Lease rental income for the three months ended June 30, 2010 increased $12,545 (28.4%) compared to the three months ended June 30, 2009. This increase was due to a 20.5% increase in fleet size, an 8.4% increase in utilization, a $989 increase in handling income and a 0.7% increase in per diem rental rates. Lease rental income for the six months ended June 30, 2010 increased $13,031 (14.0%) compared to the six months ended June 30, 2009. This increase was due to a 18.7% increase in fleet size, a 4.0% increase in utilization and a $1,233 increase in handling income, partially offset by a 1.2% decrease in per diem rental rates and a $669 decrease in Damage Protection Plan income.

Management fees for the three months ended June 30, 2010 increased $863 (14.3%) compared to the three months ended June 30, 2009 primarily due to $516 in additional fees earned from managing the Capital Intermodal Limited, Capital Intermodal GmbH, Capital Intermodal Inc., Capital Intermodal Assets Limited and Xines Limited (collectively Capital Intermodal) fleets, a $385 increase due to higher fleet performance, a $139 increase due to higher sales commissions and a $83 increase due to higher acquisition fees due to higher container purchases, partially offset by a $239 decrease due to a 6.3% decrease in the size of the fleets managed for container investors other than the Amphibious Container Leasing Limited (Amficon) and Capital Intermodal

Table of Contents

fleets. Management fees for the six months ended June 30, 2010 increased $1,427 (12.0%) compared to the six months ended June 30, 2009 primarily due to $1,579 in additional fees earned from managing the Amficon and Capital Intermodal fleets, a $877 increase due to higher sales commissions and a $165 increase due to higher acquisition fees due to higher container purchases, partially offset by a $685 decrease due to lower fleet performance and a $532 decrease due to a 6.2% decrease in the size of the fleets managed for container investors other than the Amficon and Capital Intermodal fleets.

Trading container sales proceeds for the three months ended June 30, 2010 increased $2,189 (153.8%) compared to the three months ended June 30, 2009. This increase consisted of a $1,522 increase due to a 107.0% increase in unit sales and a $667 increase due to an increase in average sales proceeds of $404 per unit. Trading container sales proceeds for the six months ended June 30, 2010 increased $3,736 (101.3%) compared to the six months ended June 30, 2009. This increase consisted of a $4,593 increase due to a 124.6% increase in unit sales, partially offset by an $857 decrease due to a decrease in average sales proceeds of $148 per unit.

Gain on sale of containers, net for the three months ended June 30, 2010 increased $4,489 (161.2%) compared to the three months ended June 30, 2009 due to a gain on sales-type leases of $2,376 during the three months ended June 30, 2010 compared to a loss on sales-type leases of $32 during the three months ended June 30, 2009 and an increase in sales proceeds of $196 per unit. Gain on sale of containers, net for the six months ended June 30, 2010 increased $11,510 (223.0%) compared to the six months ended June 30, 2009 due to a gain on sales-type leases of $6,616 during the six months ended June 30, 2010 compared to a loss of $334 during the six months ended June 30, 2009, an increase in average proceeds of $112 per unit and a 34.0% increase in the number of units sold.

The following table summarizes our total operating expenses for the three and six months ended June 30, 2010 and 2009 and the percentage changes between those periods:

	Three Months Ended June 30,		% Change Between	Six Months Ended June 30,		% Change Between
	2010	2009	2010 and 2009	2010	2009	2010 and 2009
	(Dollars in thousands)			(Dollars in thousands)		
Direct container expense	$ 7,965	$ 9,488	(16.1%)	$ 17,341	$ 17,310	0.2%
Cost of trading containers sold	2,915	1,276	128.4%	5,898	3,279	79.9%
Depreciation expense	13,188	11,261	17.1%	26,031	22,413	16.1%
Amortization expense	1,575	1,849	(14.8%)	3,152	3,459	(8.9%)
General and administrative expense	5,601	5,064	10.6%	10,949	10,389	5.4%
Short-term incentive compensation expense	1,350	595	126.9%	2,116	1,190	77.8%
Long-term incentive compensation expense	1,063	883	20.4%	3,138	1,724	82.0%
Bad debt (recovery) expense, net	(205)	1,527	(113.4%)	(481)	2,194	(121.9%)
Total operating expenses	$ 33,452	$ 31,943	4.7%	$ 68,144	$ 61,958	10.0%

Direct container expense for the three months ended June 30, 2010 decreased $1,523 (-16.1%) compared to the three months ended June 30, 2009 primarily due to a $2,617 decrease in storage expense, partially offset by a $374 increase in handling expense, a $238 increase in military sublease expense and a $167 increase in agency expense. Direct container expense for the six months ended June 30, 2010 was relatively flat compared to the six months ended June 30, 2009.

Cost of trading containers sold for the three months ended June 30, 2010 increased $1,639 (128.4%) compared to the three months ended June 30, 2009 due to a $1,365 increase resulting from a 107.0% increase in unit sales and a $274 increase due to a 30.3% increase in the average cost per unit of sold containers. Cost of trading containers sold for the six months ended June 30, 2010 increased $2,619 (79.9%) compared to the six months ended June 30, 2009 due to a $4,085 increase resulting from a 124.6% increase in unit sales, partially offset by a decrease of $1,466 due to a 19.9% decrease in the average cost per unit of sold containers.

Table of Contents

Depreciation expense for the three and six months ended June 30, 2010 increased $1,927 (17.1%) and $3,618 (16.1%), respectively, compared to the three and six months ended June 30, 2009 primarily due to an increase in fleet size.

Amortization expense for the three months ended June 30, 2010 decreased $274 (-14.8%) compared to the three months ended June 30, 2009 primarily due a $239 decrease resulting from a revision in amortization estimates of the purchase prices paid for acquiring the management rights from Capital Lease Limited, Hong Kong (Capital) and Gateway Management Services Limited (Gateway) during the three months ended December 31, 2009 and a $74 decrease in amortization expense for the Amficon fleet due to the purchase of part of that fleet in October 2009, partially offset by a $53 increase from the purchase of the management rights for the Capital Intermodal fleet. Amortization expense for the six months ended June 30, 2010 decreased $307 (-8.9%) compared to the six months ended June 30, 2009 primarily due to a $476 decrease resulting from a revision in amortization estimates of the purchase prices paid for acquiring the management rights from Gateway and Capital during the three months ended December 31, 2009, partially offset by a $199 increase due to the purchase of the management rights for the Capital Intermodal and Amficon fleets.

General and administrative expense for the three months ended June 30, 2010 increased $537 (10.6%) compared to the three months ended June 30, 2009 primarily due to a $235 increase in compensation costs and a $276 increase in professional fees. General and administrative expense for the six months ended June 30, 2010 increased $560 (5.4%) compared to the six months ended June 30, 2009 primarily due to a $350 increase in compensation costs and a $155 increase in professional fees.

Short-term incentive compensation expense for the three and six months ended June 30, 2010 increased $755 (126.9%) and $926 (77.8%), respectively compared to the three and six months ended June 30, 2009 due to a higher expected incentive compensation award for fiscal year 2010 compared to fiscal year 2009.

Long-term incentive compensation expense for the three months ended June, 2010 increased $180 (20.4%) compared to the three months ended June 30, 2009 primarily due to additional share options and restricted share units that were granted under our 2007 Share Incentive Plan in November 2009. Long-term incentive compensation expense for the six months ended June 30, 2010 increased $1,414 (82.0%) compared to the six months ended June 30, 2009 primarily due to forfeiture rate adjustments to prior periods and additional share options and restricted share units that were granted under our 2007 Share Incentive Plan in November 2009.

Bad debt (recovery) expense, net changed from net expenses of $1,527 and $2,194 for the three and six months ended June 30, 2009, respectively, to net recoveries of $205 and $481 for the three and six months ended June 30, 2010, respectively, primarily due to collections on accounts during the three and six months ended June 30, 2010 that had previously been included in the allowance for doubtful accounts and management s assessment that the financial condition of the Company s lessees and their ability to make required payments have improved since the comparable prior year periods.

The following table summarizes other income (expense) for the three and six months ended June 30, 2010 and 2009 and the percentage changes between those periods:

	Three Months Ended June 30,		% Change Between	Six Months Ended June 30,		% Change Between
	2010	2009	2010 and 2009	2010	2009	2010 and 2009
	(Dollars in thousands)			(Dollars in thousands)		
Interest expense	$ (2,781)	$ (3,012)	(7.7%)	$ (5,435)	$ (6,312)	(13.9%)
Gain on early extinguishment of debt		16,298	(100.0%)		19,398	(100.0%)
Interest income	3	17	(82.4%)	6	51	(88.2%)
Realized losses on interest rate swaps and caps, net	(2,354)	(3,799)	(38.0%)	(5,107)	(7,702)	(33.7%)
Unrealized (losses) gains on interest rate swaps, net	(4,728)	6,733	(170.2%)	(6,328)	8,062	(178.5%)
Gain on lost military containers, net	104	29	258.6%	346	168	106.0%
Other, net	(279)	240	(216.3%)	(337)	(31)	987.1%
Net other expense	$ (10,035)	$ 16,506	(160.8%)	$ (16,855)	$ 13,634	(223.6%)

33

Table of Contents

Interest expense for the three months ended June 30, 2010 decreased $231 (-7.7%) compared to the three months ended June 30, 2009. This decrease included a $263 decrease due to a decrease in average interest rates of 0.16 percentage points, partially offset by a $32 increase due to an increase in average debt balances of $6,968. Interest expense for the six months ended June 30, 2010 decreased $877 (-13.9%) compared to the six months ended June 30, 2009. This decrease included a $786 decrease due to a decrease in average interest rates of 0.24 percentage points and a $91 decrease due to a decrease in average debt balances of $9,752.

During the three months ended June 30, 2009, the Company repurchased $55,000 in original face amount, or $33,750 in outstanding principal amount, of its 2005-1 Bonds for $17,212 and recorded a gain on early extinguishment of debt of $16,298, net of the write-off of deferred debt financing costs of $240. During the six months ended June 30, 2009, the Company repurchased $65,000 in original face amount, or $39,917 in outstanding principal amount, of its 2005-1 Bonds for $20,234 and recorded a gain on early extinguishment of debt of $19,398, net of the write-off of deferred debt financing costs of $285.

Realized losses on interest rate swaps and caps, net for the three months ended June 30, 2010 decreased $1,445 (-38.0%) compared to the three months ended June 30, 2009. $722 of the decrease was due to a decrease of average swap notional amounts of $77,405 and $723 of the decrease was due to a decrease in average interest rates of 0.88 percentage points. Realized losses on interest rate swaps and caps, net for the six months ended June 30, 2010 decreased $2,595 (-33.7%) compared to the six months ended June 30, 2009. $1,564 of the decrease was due to a decrease of average swap notional amounts of $84,823 and $1,031 of the decrease was due to a decrease in average interest rates of 0.62 percentage points.

Unrealized (losses) gains on interest rate swaps, net changed from net gains of $6,733 and $8,062 for the three and six months ended June 30, 2009, respectively, to net losses of $4,728 and $6,328 for the three and six months ended June 30, 2010, respectively, due to an increase in the fair value liability for interest rate swaps held for the three and six months ended June 30, 2010 compared to a decrease in the fair value liability for interest rate swaps held for the three and six months ended June 30, 2009 primarily due to a decrease in long-term interest rates during the three and six months ended June 30, 2010 compared to the three and six months ended June 30, 2009.

The following table summarizes income tax expense and net income attributable to the noncontrolling interest for the three and six months ended June 30, 2010 and 2009 and the percentage changes between those periods:

	Three Months Ended June 30,		% Change Between 2010 and 2009	Six Months Ended June 30,		% Change Between 2010 and 2009
	2010	2009		2010	2009	
	(Dollars in thousands)			(Dollars in thousands)		
Income tax expense	$ 2,654	$ 1,500	76.9%	$ 3,268	$ 3,656	(10.6%)
Net income attributable to the noncontrolling interest	$ 3,306	$ 6,483	(49.0%)	$ 6,140	$ 10,110	(39.3%)

Income tax expense for the three months ended June 30, 2010 increased $1,154 (76.9%) compared to the three months ended June 30, 2009 and decreased $388 (-10.6%) for the six months ended June 30, 2010 compared to the six months ended June 30, 2009. In May 2009, the Company received notification from the U.S. Internal Revenue Service (the IRS) that the 2007 and 2008 United States tax returns for TGH s subsidiary Textainer Equipment Management (U.S.) Limited had been selected for examination. During the three months ended March 31, 2010, the IRS had effectively completed its examination, pending final notification. As a result, we revised our estimate of unrecognized tax benefits by $1,558 and recognized a tax provision reduction of $1,478, net of correlative deduction, during the three months ended March 31, 2010. During the three months ended June 30, 2010, the Company received final notification from the IRS regarding its exam and, as a result, the Company revised its estimate of unrecognized tax benefits by an additional $705 and recognized a tax provision reduction of $657, net of correlative deduction, during the three months ended June 30, 2010, which was more than offset by an increase in the forecasted tax rate during the three months ended June 30, 2010 for the 2010 fiscal year compared to the 2009 fiscal year.

Table of Contents

Net income attributable to the noncontrolling interest for the three and six months ended June 30, 2010 decreased $3,177 (-49.0) and $3,970 (-39.3%), respectively, compared to the three and six months ended June 30, 2009 due to a lower level of net income generated by TMCL.

Segment Information:

The following table summarizes our income before taxes attributable to each of our business segments for the three and six months ended June 30, 2010 and 2009 (before inter-segment eliminations) and the percentage changes between those periods:

	Three Months Ended June 30,		% Change Between	Six Months Ended June 30,		% Change Between
	2010	2009	2010 and 2009	2010	2009	2010 and 2009
	(Dollars in thousands)			(Dollars in thousands)		
Container ownership	$ 27,490	$ 36,470	(24.6%)	$ 51,895	$ 60,032	(13.6%)
Container management	$ 2,388	$ 979	143.9%	$ 2,792	$ 3,919	(28.8%)
Container resale	$ 2,252	$ 1,689	33.3%	$ 5,073	$ 2,768	83.3%
Military management	$ 26	$ 245	(89.4%)	$ 363	$ 609	(40.4%)

Income before taxes attributable to the container ownership segment for the three months ended June 30, 2010 decreased $8,980 (-24.6%) compared to the three months ended June 30, 2009. This decrease primarily consisted of a $16,298 gain from early extinguishment of debt recorded during the three months ended June 30, 2009, a change in unrealized (losses) gains, net from net gains of $6,733 for the three months ended June 30, 2009 to net losses of $4,728 for the three months ended June 30, 2010 and a $1,992 increase in depreciation expense, partially offset by a $12,566 increase in lease rental income, a $4,489 increase in gains on sale of containers, net, a change in bad debt (recovery) expense, net from a net expense of $1,512 for the three months ended June 30, 2009 to a net recovery of $205 for the three months ended June 30, 2010, a $1,445 decrease in realized losses on interest rate swaps and caps, net and a $719 decrease in direct container expense.

Income before taxes attributable to the container ownership segment for the six months ended June 30, 2010 decreased $8,137 (-13.6%) compared to the six months ended June 30, 2009. This decrease primarily consisted of a $19,398 gain from early extinguishment of debt recorded during the six months ended June 30, 2009, a change in unrealized (losses) gains, net from net gains of $8,062 for the six months ended June 30, 2009 to net losses of $6,328 for the six months ended June 30, 2010, a $3,726 increase in depreciation expense and a $1,276 increase in direct container expense, partially offset by a $13,090 increase in lease rental income, a $11,496 increase in gains on sale of containers, net, a change in bad debt (recovery) expense, net from a net expense of $2,186 for the six months ended June 30, 2009 to a net recovery of $481 for the six months ended June 30, 2010, a $2,595 decrease in realized losses on interest rate swaps and caps, net and a $877 decrease in interest expense.

Income before taxes attributable to the container management segment for the three months ended June 30, 2010 increased $1,409 (143.9%) compared to the three months ended June 30, 2009. This increase primarily consisted primarily of a $2,493 increase in management fees, partially offset by a $654 increase in short-term incentive compensation expense, a $323 increase in overhead expenses and a $160 increase in long-term incentive compensation.

Income before taxes attributable to the container management segment for the six months ended June 30, 2010 decreased $1,127 (-28.8%) compared to the six months ended June 30, 2009. This decrease primarily consisted of a $1,282 increase in long-term incentive compensation expense, a $803 increase in short-term incentive compensation expense and a $459 increase in overhead expenses, partially offset by a $1,440 increase in management fees.

Income before taxes attributable to the container resale segment for the three months ended June 30, 2010 increased $563 (33.3%) compared to the three months ended June 30, 2009. This increase consisted primarily of a $514 increase in gains on container trading, net due to a higher volume of container sales and an increase in average gross margin of $134 per unit and a $178 increase in sales commissions due to a higher volume of container sales, partially offset by a $82 increase in short-term incentive compensation.

Table of Contents

Income before taxes attributable to the container resale segment for the six months ended June 30, 2010 increased $2,305 (83.3%) compared to the six months ended June 30, 2009. This increase consisted primarily of a $1,731 increase in sales commissions due to higher volume of container sales, a $981 increase in gains on container trading, net due to a higher volume of container sales and an increase in average gross margin of $49 per unit, partially offset by a $182 increase in amortization expense, a $118 increase in long-term incentive compensation.

Income before taxes attributable to the military management segment for the three months ended June 30, 2010 decreased $219 (-89.4%) compared to the three months ended June 30, 2009 primarily due to a $258 decrease in sublease income, partially offset by a $45 increase in the gain from disposal of lost military containers, net.

Income before taxes attributable to the military management segment for the six months ended June 30, 2010 decreased $246 (-40.4%) compared to the six months ended June 30, 2009 primarily due to a $354 decrease in sublease income, partially offset by a $139 increase in the gain from disposal of lost military containers, net.

Currency

Almost all of our revenues are denominated in U.S. dollars and approximately 39% and 35% of our direct container expenses for the three and six months ended June 30, 2010, respectively, were paid in foreign currencies. See the risk factor entitled 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 under Item 3, *Key Information Risk Factors* included in our 2009 Form 20-F. Our operations in locations outside of the U.S. have some exposure to non-U.S. 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 operating expenses paid in foreign currencies are for transportation and other costs incurred as a result of the SDDC contract. The SDDC contract contains an adjustment feature such that we believe we are effectively protected against most foreign currency risks for the expenses incurred under the SDDC contract. In 2010 and 2009, our operating expenses paid in foreign currencies were spread among 18 and 17 currencies, respectively, resulting in some level of self-hedging. We do not engage in currency hedging. During the three months ended June 30, 2010 and 2009, we recognized net foreign exchange losses of $184 and net foreign exchange gains of $95, respectively. During the six months ended June 30, 2010 and 2009 we recognized foreign exchange losses of $292 and foreign exchange gains of $204, respectively.

Table of Contents

Liquidity and Capital Resources

As of June 30, 2010, we had cash and cash equivalents of $59,146. Our principal sources of liquidity to date have been (1) cash flows from operations, (2) proceeds from the issuance of common shares in connection with our October 2007 initial public offering, (3) the sale of containers, (4) the issuance of variable rate amortizing bonds (the 2005-1 Bonds) by TMCL, (5) borrowings under a conduit facility (which allows for recurring borrowings and repayments) granted to TMCL (the Secured Debt Facility) and (6) borrowings under the revolving credit facility (the 2008 Credit Facility) extended to one of our subsidiaries, Textainer Limited. As of June 30, 2010, we had the following outstanding borrowings and borrowing capacities under the Credit Facility, the Secured Debt Facility and the 2005-1 Bonds (in thousands):

Facility	Current Borrowing	Additional Borrowing Commitment	Total Commitment	Current Borrowing	Additional Available Borrowing, as Limited by our Borrowing Base	Total Current and Available Borrowing
2008 Credit Facility	$ 84,000	$ 121,000	$ 205,000	$ 84,000	$ 30,174	114,174
Secured Debt Facility (1)(2)	321,000	429,000	750,000	321,000	164,347	485,347
2005-1 Bonds (2)	253,208		253,208	253,208		253,208
Total	$ 658,208	$ 550,000	$ 1,208,208	$ 658,208	$ 194,521	$ 852,729

(1) On June 29, 2010, we extended the term of our Secured Debt Facility and increased the total commitment under the Secured Debt Facility from $475,000 to $750,000. The Secured Debt Facility provides for payments of interest only during an initial two-year revolving period, with a provision for the Secured Debt Facility to then convert to a 10-year, but not to exceed 15-year amortizing note payable. Interest on the outstanding amount due under the Secured Debt Facility is payable monthly, in arrears, and equals 2.75% over LIBOR during the initial two-year revolving period. There is also a commitment fee of 0.75% on the unused portion of the Secured Debt Facility until December 31, 2010, which is payable monthly in arrears. After December 31, 2010, during the remaining two-year revolving period, the commitment fee on the unused portion of the Secured Debt Facility will be 0.75% if total borrowings under the Secured Debt Facility equal 50% or more of the total commitment or 1.00% if total borrowings are less than 50% of the total commitment. If the Secured Debt Facility is not refinanced or renewed within the initial two-year revolving period, the interest rate will increase during the 10 or 15 year amortization period that follows.

(2) Current borrowings for the Secured Debt Facility and 2005-1 Bonds exclude step acquisition adjustments of $424 and $480, respectively, related to TL s purchase of 3,000 additional shares of TMCL. The adjustments were recorded to reduce the balance of both the Secured Debt Facility and 2005-1 Bonds to an amount that equaled the fair market value of the debt on the date of the acquisition.

The recent disruption in the credit markets has had a significant adverse impact on a number of financial institutions. To date, we believe that our liquidity has not been materially impacted by the current credit environment and economic. Assuming that our lenders and customers remain solvent, 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 at least the next twelve months. We will continue to monitor our liquidity and the credit markets. However, we cannot predict with any certainty the impact to the Company of continuing and further disruptions in the credit market.

The 2008 Credit Facility, the Secured Debt Facility and the 2005-1 Bonds require us to comply with certain financial covenants. As of June 30, 2010, we believe we were in compliance with all of the applicable financial covenants under the 2008 Credit Facility, Secured Debt Facility and 2005-1 Bonds.

Table of Contents

Cash Flow

The following table summarizes historical cash flow information for the six months ended June 30, 2010 and 2009:

	Six Months Ended June 30,	
	2010	2009
	(Dollars in thousands)	
Net income	$ 55,456	$ 62,039
Adjustments to reconcile net income to net cash provided by operating activities	17,834	(4,200)
Net cash provided by operating activities	73,290	57,839
Net cash (used in) provided by investing activities	(1,506)	15,923
Net cash used in financing activities	(69,395)	(95,812)
Effect of exchange rate changes	(62)	26
Net decrease in cash and cash equivalents	2,327	(22,024)
Cash and cash equivalents, beginning of year	56,819	71,490
Cash and cash equivalents, end of the period	$ 59,146	$ 49,466

Cash Flows from Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2010 increased $15,451 (26.7%) compared to the six months ended June 30, 2009 primarily due to an increase in net income excluding gain on early extinguishment of debt and a decrease in accounts receivable due to a decrease in the average days sales outstanding resulting from improved lessee collections due to improved conditions in the shipping line industry.

Cash Flows from Investing Activities

Net cash (used in) provided by investing activities changed from net cash provided by investing activities of $15,923 for the six months ended June 30, 2009 to net cash used in investing activities of $1,506 for the six months ended June 30, 2010 primarily due to a higher amount of container purchases and fixed assets, partially offset by higher proceeds from the sale of containers, the purchase of intangible assets during the six months ended June 30, 2009 and a higher receipt of principal payments on direct financing and sales-type leases.

Cash Flows from Financing Activities

Net cash used in financing activities decreased $26,417 (-27.6%) primarily due to net proceeds from our 2008 Credit Facility of $5,000 for the six months ended June 30, 2010 compared to net principal payments of $46,000 for the six months ended June 30, 2009, the extinguishment of 2005-1 Bonds for $20,234 during the six months ended June 30, 2009, a decrease of $1,792 in principal payments on our 2005-1 Bonds and proceeds from the issuance of common shares of $1,728 for the six months ended June 30, 2010, partially offset by net principal payments of $9,000 on our Secured Debt Facility for the six months ended June 30, 2010 compared to net proceeds of $16,000 for the six months ended June 30, 2009, a $11,560 increase in debt issuance costs related to the extension and increased commitment of our Secured Debt Facility, a $7,133 increase in restricted for the six months ended June 30, 2010 compared to a $4,046 decrease in restricted cash for the six months ended June 30, 2009 and a $598 increase in dividends paid.

Table of Contents

Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations by due date as of June 30, 2010:

	Total	2011	2012	2013	2014	2015	2016 and thereafter
				(Dollars in thousands)			
				(Unaudited)			
Total debt obligations:							
2008 Credit Facility	$ 84,000	$	$	$ 84,000	$	$	$
Secured Debt Facility	321,000			32,100	32,100	32,100	224,700
2005-1 Bonds	253,208	51,500	51,500	51,500	51,500	47,208	
Interest on obligations (1)	79,339	13,254	12,797	11,597	9,221	7,757	24,713
Interest rate swap payables (2)	24,358	8,212	7,398	6,120	2,198	430	
Office lease obligations	9,214	1,453	1,459	1,338	1,309	1,332	2,323
Trading container purchase commitments	1,338	1,338					
Container purchase commitments	44,017	44,017					
Container contracts payable	57,556	57,556					
Total contractual obligations	$ 874,030	$ 177,330	$ 73,154	$ 186,655	$ 96,328	$ 88,827	$ 251,736

(1) Assuming an estimated current interest rate of LIBOR plus a margin, which equals an all-in interest rate of 2.02%.

(2) Calculated based on the difference between our fixed contractual rates and the counterparties estimated average LIBOR rate of 0.35%, for all periods, for all interest rate contracts outstanding as of June 30, 2010.

Off Balance Sheet Arrangements

As of June 30, 2010, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, change in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Critical Accounting Policies and Estimates

We have identified the policies and estimates in Item 5, *Operating and Financial Review and Prospects* included in our 2009 Form 20-F 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. These policies remain consistent with those reported in our 2009 Form 20-F. Please refer to Item 5, *Operating and Financial Review and Prospects* included in our 2009 Form 20-F.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET AND CREDIT RISK

Quantitative and Qualitative Disclosures About Market Risk

We could be exposed to market risk from future changes in interest rates and foreign exchange rates. At times, we may enter into various derivative instruments to manage certain of these risks. We do not enter into derivative instruments for speculative or trading purposes.

For the six months ended June 30, 2010, we did not experience any material changes in market risk that affect the quantitative and qualitative disclosures presented in Item 11, *Quantitative and Qualitative Disclosures About Market Risk* included in our 2009 Form 20-F.

Table of Contents

Interest Rate Risk

We have entered into several interest rate swap and cap agreements with several banks to mitigate the impact of changes in interest rates associated with our 2005-1 Bonds and Secured Debt Facility. 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 losses on interest rate swaps, net in the condensed consolidated statements of income.

The notional amount of the interest rate swap agreements was $340,260 as of June 30, 2010, with termination dates through December 15, 2014. Through the interest rate swap agreements we have obtained fixed rates between 1.08% and 4.95%. The fair value liability of these agreements was $14,568 as of June 30, 2010 and the fair value asset and liability was $731 and $8,971, respectively, as of December 31, 2009.

The notional amount of the interest rate cap agreements was $150,100 as of June 30, 2010, with termination dates through November 16, 2015.

Based on the debt balances and derivative instruments as of June 30, 2010, it is estimated that a 1% increase in interest rates would result in a decrease in the fair value liability of interest rate swaps of $7,976, an increase in interest expense of $3,348 and a decrease in realized losses on interest rate swaps and caps, net of $1,676.

Quantitative and Qualitative Disclosures About Credit Risk

For the six months ended June 30, 2010, we did not experience any material changes in our credit risks that affect the quantitative and qualitative disclosures about credit risk presented in Item 11, *Quantitative and Qualitative Disclosures About Market Risk* *Quantitative and Qualitative Disclosures About Credit Risk* included in our 2009 Form 20-F.

ITEM 4. RISK FACTORS

There have been no material changes with respect to the risk factors disclosed in Item 3, *Key Information* *Risk Factors* included in our 2009 Form 20-F. Please refer to that section for disclosures regarding the risks and uncertainties related to the Company s business and industry and the Company s common shares.

40

Table of Contents

SIGNATURE

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

Date: August 12, 2010

Textainer Group Holdings Limited

/s/ John A. Maccarone
John A. Maccarone
President and Chief Executive Officer

41