

TEXTAINER GROUP HOLDINGS LTD

Form 6-K

August 12, 2010

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**

**PURSUANT TO RULE 13a-16 OR 15d-16 UNDER**

**THE SECURITIES EXCHANGE ACT OF 1934**

For the three months ended June 30, 2010

Commission File Number 001-33725

**Textainer Group Holdings Limited**

(Exact Name of Registrant as Specified in its Charter)

**Not Applicable**

(Translation of Registrant's name into English)

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**Century House**

**16 Par-La-Ville Road**

**Hamilton HM 08**

**Bermuda**

**(441) 296-2500**

**(Address and telephone number, including area code, of principal executive offices)**

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If  Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): Not applicable

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This report contains the quarterly report of Textainer Group Holdings Limited for the Three Months ended June 30, 2010.

1.	Quarterly Report of Textainer Group Holdings Limited for the Three Months Ended June 30, 2010
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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**Exhibit 1**

**TEXTAINER GROUP HOLDINGS LIMITED**

**Quarterly Report on Form 6-K for the Three Months Ended June 30, 2010**

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**INFORMATION REGARDING FORWARD-LOOKING STATEMENTS; CAUTIONARY LANGUAGE**

This Quarterly Report on Form 6-K, including the section entitled Item 2, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, contains forward-looking statements within the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. 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, 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, con, these terms or other similar terminology. The forward-looking statements contained in this Quarterly Report on Form 6-K include, but are not limited to, statements regarding (i) our expectation of a higher short-term incentive compensation award for fiscal year 2010 compared to fiscal year 2009; (ii) our belief that, to date, our liquidity has not been materially impacted by the current credit and economic environment; (iii) our belief that we are effectively protected against most foreign currency risks for the expenses incurred under the SDDC contract; and (iv) our belief that, assuming that our lenders remain solvent, that our cash flows 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. 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 Item 3, *Key Information Risk Factors* 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).

We believe that it is important to communicate our expectations about the future to existing and 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 in Item 3, *Key Information Risk Factors* included in our 2009 Form 20-F, as well as any cautionary language in this Quarterly Report on Form 6-K, 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 decide to buy, hold or sell our common shares, you should be aware that the occurrence of the events described in Item 3, *Key Information Risk Factors* included in our 2009 Form 20-F and elsewhere in this Quarterly Report on Form 6-K could negatively impact our business, cash flows, results of operations, financial condition and share price. Readers are cautioned not to 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 flows 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 Item 3, *Key Information Risk Factors* included in our 2009 Form 20-F or elsewhere in this Quarterly Report on Form 6-K, which could 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. The forward-looking statements contained in this Quarterly Report on Form 6-K speak only as of, and are based on

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information available to us on, the date of the filing of this Quarterly Report on Form 6-K. We assume no obligation to, and do not plan to, update any forward-looking statements after the date of this Quarterly Report on Form 6-K as a result of new information, future events or developments, except as expressly required by U.S. federal securities laws. You should read this Quarterly Report on Form 6-K and the documents that we reference and have furnished as exhibits 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.

Industry data and other statistical information used in this Quarterly Report on Form 6-K 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. In this Quarterly Report on Form 6-K, 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 Item 18, *Financial Statements* included in our 2009 Form 20-F.

**Table of Contents****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES**

## Condensed Consolidated Balance Sheets

June 30, 2010 and December 31, 2009

(Unaudited)

(All currency expressed in United States dollars in thousands)

	2010	2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 59,146	\$ 56,819
Accounts receivable, net of allowance for doubtful accounts of \$7,623 and \$8,347 in 2010 and 2009, respectively	54,452	68,896
Net investment in direct financing and sales-type leases	18,671	17,225
Trading containers	418	1,271
Containers held for sale	2,524	9,756
Prepaid expenses	7,653	1,785
Deferred taxes	1,453	1,463
Due from affiliates, net	4	126
<b>Total current assets</b>	<b>144,321</b>	<b>157,341</b>
Restricted cash	13,719	6,586
Containers, net of accumulated depreciation of \$343,434 and \$343,513 at 2010 and 2009, respectively	1,107,431	1,061,866
Net investment in direct financing and sales-type leases	78,853	63,326
Fixed assets, net of accumulated depreciation of \$8,647 and \$8,512 at 2010 and 2009, respectively	1,750	1,986
Intangible assets, net of accumulated amortization of \$24,306 and \$20,897 at 2010 and 2009, respectively	63,257	66,692
Interest rate swaps		731
Other assets	6,985	1,495
<b>Total assets</b>	<b>\$ 1,416,316</b>	<b>\$ 1,360,023</b>
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable	\$ 7,360	\$ 9,078
Accrued expenses	4,947	9,740
Container contracts payable	57,556	13,140
Deferred revenue	7,045	7,948
Due to owners, net	17,821	14,141
Secured debt facility		16,500
Bonds payable	51,500	51,500
<b>Total current liabilities</b>	<b>146,229</b>	<b>122,047</b>
Revolving credit facility	84,000	79,000
Secured debt facility	320,576	313,021
Bonds payable	201,228	226,875
Deferred revenue	6,625	11,294
Interest rate swaps	14,568	8,971
Income tax payable	24,640	18,656
Deferred taxes	7,288	6,894

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Total liabilities	805,154	786,758
Equity:		
Textainer Group Holdings Limited shareholders' equity:		
Common shares, \$0.01 par value. Authorized 140,000,000 shares; issued and outstanding 48,117,187 and 47,760,771 at 2010 and 2009, respectively	481	478
Additional paid-in capital	175,565	170,497
Accumulated other comprehensive loss	(173)	(111)
Retained earnings	356,197	329,449
Total Textainer Group Holdings Limited shareholders' equity	532,070	500,313
Noncontrolling interest	79,092	72,952
Total equity	611,162	573,265
Total liabilities and equity	\$ 1,416,316	\$ 1,360,023

See accompanying notes to condensed consolidated financial statements.



**Table of Contents****TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES**

## Condensed Consolidated Statements of Income

Three and Six Months Ended June 30, 2010 and 2009

(Unaudited)

(All currency expressed in United States dollars in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>Revenues:</b>				
Lease rental income	\$ 56,741	\$ 44,196	\$ 106,322	\$ 93,291
Management fees	6,897	6,034	13,305	11,878
Trading container sales proceeds	3,612	1,423	7,424	3,688
Gains on sale of containers, net	7,274	2,785	16,672	5,162
<b>Total revenues</b>	<b>74,524</b>	<b>54,438</b>	<b>143,723</b>	<b>114,019</b>
<b>Operating expenses:</b>				
Direct container expense	7,965	9,488	17,341	17,310
Cost of trading containers sold	2,915	1,276	5,898	3,279
Depreciation expense	13,188	11,261	26,031	22,413
Amortization expense	1,575	1,849	3,152	3,459
General and administrative expense	5,601	5,064	10,949	10,389
Short-term incentive compensation expense	1,350	595	2,116	1,190
Long-term incentive compensation expense	1,063	883	3,138	1,724
Bad debt (recovery) expense, net	(205)	1,527	(481)	2,194
<b>Total operating expenses</b>	<b>33,452</b>	<b>31,943</b>	<b>68,144</b>	<b>61,958</b>
<b>Income from operations</b>	<b>41,072</b>	<b>22,495</b>	<b>75,579</b>	<b>52,061</b>
<b>Other income (expense):</b>				
Interest expense	(2,781)	(3,012)	(5,435)	(6,312)
Gain on early extinguishment of debt		16,298		19,398
Interest income	3	17	6	51
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
Gain on lost military containers, net	104	29	346	168
Other, net	(279)	240	(337)	(31)
<b>Net other (expense) income</b>	<b>(10,035)</b>	<b>16,506</b>	<b>(16,855)</b>	<b>13,634</b>
<b>Income before income tax and noncontrolling interest</b>	<b>31,037</b>	<b>39,001</b>	<b>58,724</b>	<b>65,695</b>
Income tax expense	(2,654)	(1,500)	(3,268)	(3,656)
<b>Net income</b>	<b>28,383</b>	<b>37,501</b>	<b>55,456</b>	<b>62,039</b>
Less: Net income attributable to the noncontrolling interest	(3,306)	(6,483)	(6,140)	(10,110)
<b>Net income attributable to Textainer Group Holdings Limited common shareholders</b>	<b>\$ 25,077</b>	<b>\$ 31,018</b>	<b>\$ 49,316</b>	<b>\$ 51,929</b>

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Net income attributable to Textainer Group Holdings Limited common shareholders

Basic	\$ 0.52	\$ 0.65	\$ 1.03	\$ 1.09
Diluted	\$ 0.51	\$ 0.65	\$ 1.01	\$ 1.08
Weighted average shares outstanding (in thousands):				
Basic	48,067	47,761	48,050	47,761
Diluted	49,157	47,964	49,036	47,926

See accompanying notes to condensed consolidated financial statements

**Table of Contents****TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES**

## Condensed Consolidated Statements of Cash Flows

Six months ended June 30, 2010 and 2009

(Unaudited)

(All currency expressed in United States dollars in thousands)

	<b>Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 55,456	\$ 62,039
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation expense	26,031	22,413
Bad debt (recovery) expense, net	(481)	2,194
Unrealized losses (gains) on interest rate swaps, net	6,328	(8,062)
Amortization of debt issuance costs	1,019	1,235
Amortization of intangible assets	3,152	3,459
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
Changes in operating assets and liabilities	2,953	2,043
Total adjustments	17,834	(4,200)
<b>Net cash provided by operating activities</b>	<b>73,290</b>	<b>57,839</b>
<b>Cash flows from investing activities:</b>		
Purchase of containers and fixed assets	(78,257)	(11,421)
Purchase of intangible assets		(13,812)
Proceeds from sale of containers and fixed assets	49,126	26,797
Receipt of principal payments on direct financing and sales-type leases	27,625	14,359
<b>Net cash (used in) provided by investing activities</b>	<b>(1,506)</b>	<b>15,923</b>
<b>Cash flows from financing activities:</b>		
Proceeds from revolving credit facility	29,000	7,000
Principal payments on revolving credit facility	(24,000)	(53,000)
Proceeds from secured debt facility	47,000	73,500
Principal payments on secured debt facility	(56,000)	(57,500)
Principal payments on bonds payable	(25,750)	(27,542)
Purchase of bonds payable		(20,234)
(Increase) decrease in restricted cash	(7,133)	4,046
Debt issuance costs	(11,672)	(112)
Issuance of common shares	1,728	
Dividends paid	(22,568)	(21,970)

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Net cash used in financing activities	(69,395)	(95,812)
Effect of exchange rate changes	(62)	26
Net increase (decrease) in cash and cash equivalents	2,327	(22,024)
Cash and cash equivalents, beginning of the year	56,819	71,490
Cash and cash equivalents, end of period	\$ 59,146	\$ 49,466

See accompanying notes to condensed consolidated financial statements.

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**TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES**

Condensed Consolidated Statements of Cash Flows

Six months ended June 30, 2010 and 2009

(Unaudited)

(All currency expressed in United States dollars in thousands)

	<b>Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the period for:		
Interest and realized losses on interest rate swaps and caps, net	\$ 9,872	\$ 12,980
Income taxes	\$ 232	\$ 396
<b>Supplemental disclosures of noncash investing activities:</b>		
Increase in accrued container purchases	\$ 44,416	\$ 2,273
Containers placed in direct financing and sales-type leases	\$ 20,247	\$ 34,811

See accompanying notes to condensed consolidated financial statements.

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**TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES**

Notes to Condensed Consolidated Financial Statements

June 30, 2010 and 2009

(Unaudited)

(All currency expressed in United States dollars in thousands)

**(1) Nature of Business**

Textainer Group Holdings Limited ( TGH ) is incorporated in Bermuda. TGH is the holding company of a group of corporations consisting of TGH and its subsidiaries (collectively, the Company ) involved in the purchase, management, leasing and resale of a fleet of marine cargo containers. The Company manages and provides administrative support to the affiliated and unaffiliated owners (the Owners ) of the containers and structures and manages container leasing investment programs.

The Company conducts its business activities in four main areas: container ownership, container management, container resale and military management (see Note 7 Segment Information ).

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The Company utilizes the accrual method of accounting.

Certain information and footnote disclosure normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company s Annual Report on Form 20-F for the fiscal year ended December 31, 2009 furnished to the Securities and Exchange Commission on March 17, 2010.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal and recurring adjustments) necessary to present fairly the Company s consolidated financial position as of June 30, 2010, and the Company s consolidated results of operations for the three and six months ended June 30, 2010 and 2009 and the consolidated cash flows for the six months ended June 30, 2010 and 2009. These condensed consolidated financial statements are not necessarily indicative of the results of operations or cash flows that may be reported for the remainder of the fiscal year ending December 31, 2010.

**(b) Principles of Consolidation**

The condensed consolidated financial statements of the Company include TGH and all of its subsidiaries. All material intercompany balances have been eliminated in consolidation.

**(c) Cash and Cash Equivalents and Restricted Cash**

Cash and cash equivalents are comprised of interest-bearing deposits or money market securities with original maturities of three months or less. The Company maintains cash and cash equivalents and restricted cash (see Note 8 Commitments and Contingencies *Restricted Cash* ) with various financial institutions. These financial institutions are located in the United States, Canada, Bermuda, Singapore, the United Kingdom, the Netherlands and Malaysia. A significant portion of the Company s cash and cash equivalents and restricted cash is maintained with a small

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number of banks and, accordingly, the Company is exposed to the credit risk of these counterparties in respect of the Company's cash and cash equivalents and restricted cash. Furthermore, the deposits maintained at some of these financial institutions exceed the amount of insurance provided on the deposits. Restricted cash is excluded from cash and cash equivalents and is included in long-term assets.

### *(d) Intangible Assets*

Intangible assets, consisting primarily of exclusive rights to manage container fleets, are amortized over the expected life of the contracts based on forecasted income to the Company. The contract terms range from 11 to 13 years. The Company reviews its intangible assets for impairment if events and circumstances indicate that the carrying amount of the intangible assets may not be recoverable. The

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Notes to Condensed Consolidated Financial Statements (Continued)

June 30, 2010 and 2009

(Unaudited)

(All currency expressed in United States dollars in thousands)

Company compares the carrying value of the intangible assets to expected future undiscounted cash flows for the purpose of assessing the recoverability of the recorded amounts. If the carrying amount exceeds expected undiscounted cash flows, the intangible assets are reduced to their fair value.

On April 15, 2009, the Company purchased the exclusive rights to manage the approximately 145,000 Twenty-Foot Equivalent Unit ( TEU ) container fleet of Amficon for a total purchase price equal to \$10,600. The total purchase price is being amortized over the expected approximate 11-year life of the contract on a pro-rata basis to the expected management fees. On October 1, 2009, the Company purchased approximately 53,000 TEU of the containers that it had been managing for Amficon for a total purchase price equal to \$63,676 and relinquished management rights for those containers previously recorded as an intangible asset of \$3,378. Related amortization expense for the three and six months ended June 30, 2010 was \$167 and \$333, respectively.

On June 12, 2009, the Company purchased the exclusive rights to manage the approximately 154,000 TEU container fleet of Capital Intermodal Limited, Capital Intermodal GmbH, Capital Intermodal Inc., Capital Intermodal Assets Limited and Xines Limited (collectively Capital Intermodal ) for a total purchase price equal to \$2,954. The total purchase price is being amortized over the expected approximate 11-year life of the contract on a pro-rata basis to the expected management fees. Related amortization expense for the three and six months ended June 30, 2010 was \$53 and \$106, respectively.

The changes in the carrying amount of intangible assets during the six months ended June 30, 2010 are as follows:

Balance as of December 31, 2009	\$ 66,692
Amortization of step acquisition adjustment related to lease contracts (1)	(283)
Amortization expense	(3,152)
Balance as of June 30, 2010	\$ 63,257

- (1) Represents amortization of a step acquisition adjustment related to the Company's wholly owned subsidiary, Textainer Limited ( TL ) purchase of 3,000 additional Class A shares of Textainer Marine Containers Limited ( TMCL ) on November 1, 2007. The adjustment was recorded to increase the balance of the lease contracts to an amount that equaled the fair market value of the lease contracts on the date of acquisition and the related amortization is included in lease rental income in the accompanying condensed consolidated statements of income.

The following is a schedule, by year, of future amortization of intangible assets as of June 30, 2010:

Twelve months ending June 30:	
2011	\$ 6,564
2012	7,066
2013	7,181



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2014	7,538
2015 and thereafter	34,908
<b>Total future amortization of intangible assets</b>	<b>\$ 63,257</b>

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**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)

***(e) Lease Rental Income***

Lease rental income arises principally from the renting of containers owned by the Company to various international shipping lines. Revenue is recorded when earned according to the terms of the container rental contracts. These contracts are typically for terms of five years or less and are generally classified as operating leases.

Under long-term lease agreements, containers are usually leased from the Company for periods of three to five years. Such leases are generally cancelable with a penalty at the end of each 12-month period. Under master lease agreements, the lessee is not committed to leasing a minimum number of containers from the Company during the lease term and may generally return the containers to the Company at any time, subject to certain restrictions in the lease agreement. Under long-term lease and master lease agreements, revenue is earned and recognized evenly over the period during which the equipment is on lease. Under direct finance and sales-type leases, the containers are usually leased from the Company for the remainder of the containers' useful lives with a bargain purchase option at the end of the lease term or the lease term is equal to or greater than 75 percent of the containers' estimated useful lives. Revenue is earned and recognized on direct finance leases over the lease terms so as to produce a constant periodic rate of return on the net investment in the leases. Under sales-type leases, a gain or loss is recognized at the inception of the leases by subtracting the book value of the containers from the estimated fair value of the containers and the remaining revenue is earned and recognized over the lease terms so as to produce a constant periodic rate of return on the net investment in the leases.

Container leases do not include step-rent provisions or lease concessions, nor do they depend on indices or rates.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its lessees to make required payments. These allowances are based on management's current assessment of the financial condition of the Company's lessees and their ability to make their required payments. If the financial condition of the Company's lessees were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

***(f) Containers and Fixed Assets***

Capitalized container costs include the container cost payable to the manufacturer and the associated transportation costs incurred in moving the containers from the manufacturer to the containers' first destined port. Containers that are purchased new are depreciated using the straight-line method over their estimated useful lives of 12 years to an estimated dollar residual value. Containers purchased used are depreciated based upon their remaining useful lives at the date of acquisition to an estimated dollar residual value. The Company evaluates the estimated residual values and remaining estimated useful lives on an ongoing basis. Depreciation expense may fluctuate in future periods based on fluctuations in these estimates.

Fixed assets are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets, ranging from three to seven years.

The Company reviews its containers and fixed assets for impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. The Company compares the carrying value of the containers to the expected future undiscounted cash flows for the purpose of assessing the recoverability of the recorded amounts. If the carrying value exceeds expected future undiscounted cash flows, the assets are reduced to fair value. In addition, containers identified as being available for sale are valued at the lower of carrying value or fair value, less costs to sell.



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**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)

**(g) Income Taxes**

The Company uses the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded when the realization of a deferred tax asset is unlikely.

The Company also accounts for income tax positions by recognizing the effect on income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. If there are findings in future regulatory examinations of the Company's tax returns, those findings may result in additional income tax expense.

**(h) Maintenance and Repair Expense and Damage Protection Plan**

The Company's leases generally require the lessee to pay for any damage to the container beyond normal wear and tear at the end of the lease term. The Company offers a damage protection plan (DPP) to certain lessees of its containers. Under the terms of the DPP, the Company charges lessees an additional amount primarily on a daily basis and the lessees are no longer obligated for certain future repair costs for containers subject to the DPP. It is the Company's policy to recognize these revenues as earned on a daily basis over the related term of its lease. The Company has not recognized revenue and related expense for customers who are billed at the end of the lease term under the DPP or for other lessees who do not participate in the DPP. Based on past history, there is uncertainty as to collectability of these amounts from lessees who are billed at the end of the lease term because the amounts due under the DPP are typically re-negotiated at the end of the lease term or the lease term is extended. The Company uses the direct expense method of accounting for maintenance and repairs.

**(i) Concentrations**

Although substantially all of the Company's revenue is derived from assets employed in foreign countries, virtually all of this revenue is denominated in U.S. dollars. The Company does pay some of its expenses in various foreign currencies. For the three months ended June 30, 2010 and 2009, \$3,079 (or 39%) and \$3,456 (or 39%), respectively, and for the six months ended June 30, 2010 and 2009, \$6,051 (or 35%) and \$6,836 (or 41%), respectively, of the Company's direct container expenses were paid in foreign currencies. For the three and six months ended June 30, 2010 and 2009, the Company's direct container expenses were paid in 18 and 15 different foreign currencies, respectively. The Company does not hedge these container expenses as there are no significant payments made in any one foreign currency that are significant enough to warrant such hedging and the Company's contract with the U.S. military contains a provision to protect it from fluctuations in exchange rates for payments made in foreign currencies.

The Company's customers are international shipping lines, which transport goods on international trade routes. Once the containers are on hire with a lessee, the Company does not track their location. The domicile of the lessee is not indicative of where the lessee is transporting the containers. The Company's business risk in its foreign concentrations lies with the creditworthiness of the lessees rather than the geographic location of the containers or the domicile of the lessees. Except for lease rental income from one major lessee that amounted to 11% and 12% of the Company's lease rental income for the three and six months ended June 30, 2010, respectively and 13% of the Company's



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lease rental income for both the three and six months ended June 30, 2009, no other single lessee made up greater than 10% of the Company's lease rental income for those periods. The same customer accounted for 10% and 16% of the Company's accounts receivable, net as of June 30, 2010 and December 31, 2009, respectively.

***(j) Fair Value of Financial Instruments***

The Company calculates the fair value of financial instruments and includes this additional information in the notes to the condensed consolidated financial statements when the fair value is different from the book value of those financial instruments. The Company's financial instruments include cash and cash equivalents, restricted cash, accounts receivable and payable, net investment in direct financing and sales-type leases, due from affiliates, net, container contracts payable, due to owners, net, debt and interest rate swaps. At June 30, 2010 and December 31, 2009, the fair value of the Company's financial instruments approximated the related book value of such instruments except that the fair value of net investment in direct financing and sales-type leases (including the short-term balance) was approximately \$63,980 and \$74,698 at June 30, 2010 and December 31, 2009, respectively, compared to a book value of \$97,524 and \$80,551 at June 30, 2010 and December 31, 2009, respectively, and the fair value of long-term debt (including current maturities) based on the borrowing rates available to the Company was approximately \$637,419 and \$639,591 at June 30, 2010 and December 31, 2009, respectively, compared to a book value of \$657,304 and \$686,896 at June 30, 2010 and December 31, 2009, respectively.

***(k) Derivative Instruments***

The Company has entered into various interest rate swap and cap agreements to mitigate its exposure associated with its variable rate debt. The swap agreements involve payments by the Company to counterparties at fixed rates in return for receipts based upon variable rates indexed to the London Inter Bank Offered Rate (LIBOR). The differentials between the fixed and variable rate payments under these agreements are recognized in realized (losses) gains on interest rate swaps and caps, net in the condensed consolidated statement of income.

As of the balance sheet dates, none of the derivative instruments is designated by the Company for hedge accounting. The fair value of the derivative instruments is measured at each balance sheet date and the change in fair value is recorded in the condensed consolidated statements of income as unrealized (losses) gains on interest rate swaps, net.

***(l) Share Options and Restricted Share Units***

The Company estimates the fair value of all employee share options awarded under its 2007 Share Incentive Plan (the 2007 Plan) on the grant date using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's condensed consolidated statements of income.

The Company uses the Black-Scholes-Merton option-pricing model as a method for determining the estimated fair value for employee share option awards. The Company uses the fair market value of the Company's common shares on the grant date, discounted for estimated dividends that will not be received by the employees during the vesting period, for determining the estimated fair value for employee restricted share units. Compensation expense for employee share awards is recognized on a straight-line basis over the vesting period of the award.

*(m) Estimates*

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported

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amounts of revenues and expenses during the reporting period. The Company's management evaluates its estimates on an ongoing basis, including those related to the container rental equipment, intangible assets, accounts receivable, income taxes, and accruals.

These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments regarding the carrying values of assets and liabilities. Actual results could differ from those estimates under different assumptions or conditions.

**(n) Reclassifications**

Certain reclassifications of 2009 amounts have been made in order to conform with the 2010 financial statement presentation. On the Company's condensed consolidated balance sheet as of December 31, 2009, containers, net of \$9,756 was reclassified to containers held for sale and containers for sale of \$1,271 was reclassified as trading containers. On the Company's condensed consolidated statement of cash flows for the six months ended June 30, 2009, receipt of principal payments on direct financing and sales-type leases of \$5,179 was reclassified to amortization of unearned income on direct financing and sales-type leases.

**(o) Net income attributable to Textainer Group Holdings Limited common shareholders per share**

Basic net income per share is computed by dividing net income by the weighted average number of shares outstanding during the applicable period. Diluted net income per share reflects the potential dilution that could occur if all outstanding share options were exercised for, and all outstanding restricted share units were converted into, common shares. There were no share options excluded from the computation of diluted net income per share for the three and six months ended June 30, 2010 because none of the shares were anti-dilutive under the treasury stock method. Share options for both the three and six months ended June 30, 2009 of 1,036,050 were excluded from the computation of diluted net income per share because they were anti-dilutive under the treasury stock method. A reconciliation of the numerator and denominator of basic earnings per share (EPS) with that of diluted EPS is presented as follows:

All amounts in thousands, except Net income attributable to Textainer

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Numerator:				
Net income attributable to Textainer Group Holdings Limited common shareholders - basic and diluted	\$ 25,077	\$ 31,018	\$ 49,316	\$ 51,929
Denominator:				
Weighted average common shares outstanding - basic	48,067	47,761	48,050	47,761
Dilutive share options and restricted share units	1,090	203	986	165
Weighted average common shares outstanding - diluted	49,157	47,964	49,036	47,926



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Net income attributable to Textainer Group Holdings Limited common shareholders per common share				
Basic	\$ 0.52	\$ 0.65	\$ 1.03	\$ 1.09
Diluted	\$ 0.51	\$ 0.65	\$ 1.01	\$ 1.08

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**(p) Fair Value Measurements**

The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The Company uses the exchange price notion, which 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).

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 and December 31, 2009:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>June 30, 2010</b>			
Liabilities			
Interest rate swaps	\$	\$ 14,568	\$
Total	\$	\$ 14,568	\$
<b>December 31, 2009</b>			
Assets			
Interest rate swaps	\$	\$ 731	\$

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Total	\$	\$	731	\$
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Liabilities

Interest rate swaps	\$	\$	8,971	\$
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Total	\$	\$	8,971	\$
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The following table summarizes the Company's assets measured at fair value on a non-recurring basis as of June 30, 2010 and December 31, 2009:

	Quoted Prices in Active Markets for Identical Assets  (Level 1)	Significant Other Observable Inputs  (Level 2)	Significant Unobservable Inputs  (Level 3)	Six Months Ended June 30, 2010 and 2009 Total Impairments (2)
<b>June 30, 2010</b>				
Assets				
Containers held for sale (1)	\$	\$ 639	\$	\$ 603
Total	\$	\$ 639	\$	\$ 603
<b>December 31, 2009</b>				
Assets				
Containers held for sale (1)	\$	\$ 2,411	\$	\$ 1,029
Total	\$	\$ 2,411	\$	\$ 1,029

(1) Represents the carrying value of containers included in containers held for sale in the accompanying condensed consolidated balance sheets that have been impaired to write down the value of the containers to their estimated fair value less cost to sale.

(2) Included in depreciation expense in the accompanying condensed consolidated statements of income.

When the Company is required to write down the cost basis of its containers held for sale to fair value less cost to sell, the Company measures the fair value of its containers held for sale under a Level 2 input. The Company relies on its recent sales prices for identical or similar assets in markets, by geography, that are active. The Company records impairments to write down the value of containers held for sale to their estimated fair value less cost to sale.

The Company measures the fair value of its \$340,260 notional amount of interest rate swaps using Level 2 inputs. The Company changed from measuring the fair value of its interest rate swaps under a Level 3 input to a Level 2 input during the three months ended June 30, 2009 because it began determining the fair value estimate using observable market inputs. In addition, the valuation reflects the credit standing of the Company and the counterparties to the interest rate swaps. The valuation technique utilized by the Company to calculate the fair value of the interest rate swaps was the income approach. This approach represents the present value of future cash flows based upon current market expectations. The Company's interest rate swap agreements had a net fair value liability of \$14,568 and \$8,240 as of June 30, 2010 and December 31, 2009, respectively. The credit valuation adjustment (which was a reduction in the liability) was determined to be \$164 as of June 30, 2010. The change in fair value for the six months ended June, 2010 and 2009 of \$(6,328) and \$8,062, respectively, was recorded in the

condensed consolidated statement of income as part of unrealized (losses) gains on interest rate swaps, net.

**(q) Recently Issued Accounting Pronouncements**

The FASB issued Accounting Standards Update ( ASU ) 2009-13 *Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements* ( ASU 2009 13 ), which formally codifies the FASB 's ratification in September 2009 of Emerging Issues Task Force ( EITF ) Issue No. 08-1, *Revenue Arrangements with Multiple Deliverables*. ASU 2009-13 updates the current guidance pertaining to multiple-element revenue arrangements included in the FASB 's ASC Topic 605-25 *Revenue Recognition Multiple-Element Arrangements*, which originated primarily from EITF Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*. ASU 2009-13 establishes the accounting and

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reporting guidance for arrangements under which a vendor will perform multiple revenue-generating activities. Specifically, ASU 2009-13 addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. ASU 2009-13 will be effective for annual reporting periods beginning January 1, 2011 for calendar-year entities. The Company does not believe the adoption of ASU 2009-13 will have a material effect on its consolidated financial position, results of operations or cash flows.

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements* (ASU 2010-06). ASU 2010-06 amends Subtopic 820-10 with new disclosure requirements and clarification of existing disclosure requirements. New disclosures required include the amount of significant transfers in and out of levels 1 and 2 fair value measurements and the reasons for the transfers. In addition, the reconciliation for level 3 activity will be required on a gross rather than net basis. ASU 2010-06 provides additional guidance related to the level of disaggregation in determining classes of assets and liabilities and disclosures about inputs and valuation techniques. The amendments are effective for annual or interim reporting periods beginning after December 15, 2009, except for the requirement to provide the reconciliation for level 3 activity on a gross basis, which will be effective for fiscal years beginning after December 15, 2010. Accordingly, the Company adopted ASU 2010-6, with the exception of the reconciliation requirements for level 3 activity, on January 1, 2010, which had no impact on the Company's consolidated financial position, results of operations or cash flows. The Company does not believe that the adoption of the reconciliation requirements of ASU 2010-6 for level 3 activity will have a material impact on its consolidated financial position, results of operations or cash flows.

In July 2010, the FASB issued ASU 2010-10, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (Topic 310)* (ASU 2010-10). The main objective of ASU 2010-10 is to provide financial statement users with greater transparency about an entity's allowance for credit losses and the credit quality of its financing receivables. In the aftermath of the global economic crisis, effective financial reporting has become the subject of worldwide attention, with a focus on the urgent need for improved accounting standards in a number of areas, including financial instruments. ASU 2010-10 is intended to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses. Currently, a high threshold for recognition of credit impairments impedes timely recognition of losses. ASU 2010-10 will be effective for interim and annual reporting periods ending on or after December 15, 2010 for disclosures as of the end of a reporting period and will be effective for interim and annual reporting periods on or after December 15, 2010 for disclosures about activity that occurs during a reporting period.

**(3) Purchase-leaseback Transactions**

On March 31, 2009 and July 16, 2009, the Company completed purchase-leaseback transactions for approximately 5,900 and 28,900 containers, respectively, with a shipping line for total purchase prices of \$1,361 and \$11,914, respectively. The total purchase price and leaseback rental rates were below market rates. The prepayment of the leases by the lessee by selling the containers at below-market prices to the Company was recorded as follows:

Containers, net of accumulated depreciation	\$ 40,291
Deferred revenue - operating lease contracts	(27,016)
Purchase price	\$ 13,275

The deferred revenue is being amortized to lease rental income over the three-year term of the lease contracts.



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**(4) Transactions with Affiliates and Owners**

Amounts due from affiliates, net generally result from cash advances and the payment of affiliated companies' administrative expenses by the Company on behalf of such affiliates. Balances are generally paid within 30 days.

Management fees, including acquisition fees and sales commissions for the three and six months ended June 30, 2010 and 2009 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Fees from affiliated owners	\$ 1,243	\$ 1,208	\$ 2,444	\$ 2,370
Fees from unaffiliated owners	5,189	4,375	9,931	8,605
Fees from owners	6,432	5,583	12,375	10,975
Other fees	465	451	930	903
<b>Total management fees</b>	<b>\$ 6,897</b>	<b>\$ 6,034</b>	<b>\$ 13,305</b>	<b>\$ 11,878</b>

Due to owners, net represents lease rentals collected on behalf of and payable to Owners, net of direct expenses and management fees receivable. Due to owners, net at June 30, 2010 and December 31, 2009 consisted of the following:

	June 30 2010	December 31, 2009
Affiliated owners	\$ 1,312	\$ 1,114
Unaffiliated owners	16,509	13,027
<b>Total due to owners, net</b>	<b>\$ 17,821</b>	<b>\$ 14,141</b>

**(5) Income Taxes**

The Company's effective income tax rates were 8.55% and 3.85% for the three months ended June 30, 2010 and 2009, respectively, and 5.57% for both of the six month periods ended June 30, 2010 and 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, the Company revised its 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 annual forecasted tax rate for the 2010 fiscal year compared to the 2009 fiscal



year.

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**(6) Revolving Credit Facility, Bonds Payable and Secured Debt Facilities, and Derivative Instruments**

The following represents the Company's debt obligations as of June 30, 2010 and December 31, 2009:

	June 30, 2010	December 31, 2009
<b>Revolving Credit Facility, Bonds Payable and Secured Debt Facility</b>		
Revolving Credit Facility, weighted average interest at 1.48% and 1.25% at June 30, 2010 and December 31, 2009, respectively	\$ 84,000	\$ 79,000
2005-1 Bonds, interest at 0.88% and 0.76% at June 30, 2010 and December 31, 2009	252,728	278,375
Secured Debt Facilities, weighted average interest at 3.09% and 1.48% at June 30, 2010 and December 31, 2009	320,576	329,521
<b>Total debt obligations</b>	<b>\$ 657,304</b>	<b>\$ 686,896</b>
Amount due within one year	\$ 51,500	\$ 68,000
<b>Amounts due beyond one year</b>	<b>\$ 605,804</b>	<b>\$ 618,896</b>

**Revolving Credit Facility**

A Company subsidiary, Textainer Limited ( TL ), has a credit agreement with a group of banks that provides for a revolving credit facility with an aggregate commitment amount of up to \$205,000 (which includes a \$50,000 letter of credit facility) (the Credit Facility ). The Credit Facility provides for payments of interest only during its term beginning on its inception date through April 22, 2013 when all borrowings are due in full. Interest on the outstanding amount due under the Credit Facility at June 30, 2010 was based either on the U.S. prime rate or LIBOR plus a spread between 0.5% and 1.5%, which varies based on TGH's leverage. Total outstanding principal under the Credit Facility was \$84,000 and \$79,000 as of June 30, 2010 and December 31, 2009, respectively. The Company had no outstanding letters of credit under the Credit Facility as of June 30, 2010 and December 31, 2009.

The Credit Facility is secured by the Company's containers and under the terms of the Credit Facility, the total outstanding principal may not exceed the lesser of the commitment amount and a formula based on the Company's net book value of containers and outstanding debt. The additional amount available for borrowing under the Credit Facility, as limited by the Company's borrowing base, was \$30,174 as of June 30, 2010.

TGH acts as a guarantor of the Credit Facility. The Credit Facility contains restrictive covenants, including limitations on certain liens, indebtedness and investments. In addition, the Credit Facility contains certain restrictive financial covenants on TGH's tangible net worth, leverage, debt service coverage and on TL's leverage and interest coverage. The Company was in compliance with all such covenants at June 30, 2010. There is a commitment fee of 0.20% to 0.30% on the unused portion of the Credit Facility, which varies based on the leverage of TGH and is payable in arrears. In addition, there is an agent's fee, which is payable annually in advance.

**Bonds Payable and Secured Debt Facilities**

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In 2005, one of the Company's subsidiaries, Textainer Marine Containers Limited ( TMCL ), issued \$580,000 in variable rate amortizing bonds (the 2005-1 Bonds ) to institutional investors. The \$580,000 in 2005-1 Bonds represent fully amortizing notes payable on a straight-line basis over a scheduled payment term of 10 years, but not to exceed the maximum payment term of 15 years. During March, April and May of 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. As a result of these purchases, the Company recognized a gain on

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early extinguishment of debt during the three and six months ended June 30, 2009 of \$16,298 and \$19,938, respectively, net of the write-off of deferred debt financing costs during the three and six months ended June 30, 2009 of \$239 and \$285, respectively. Based on the outstanding principal amount at June 30, 2010 and under a 10-year amortization schedule, \$51,500 in 2005-1 Bond principal will amortize per year. Under the terms of the 2005-1 Bonds, both principal and interest incurred are payable monthly. TMCL is permitted to make voluntary prepayments of all, or a portion of, the principal balance of the 2005-1 Bonds. Ultimate payment of the 2005-1 Bonds' principal has been insured by Ambac Assurance Corporation and the cost of this insurance coverage, which is equal to 0.275% on the outstanding principal balance of the 2005-1 Bonds, is recognized as incurred on a monthly basis. The interest rate for the outstanding principal balance of the 2005-1 Bonds equals one-month LIBOR plus 0.25%. The target final payment date and legal final payment date are May 15, 2015 and May 15, 2020, respectively.

The Company's primary ongoing container financing requirements are funded by revolving notes issued by TMCL (the Secured Debt Facility). On June 29, 2010, TMCL extended the term of its Secured Debt Facility and amended certain terms thereof, including an increase in the total commitment under the Secured Debt Facility from \$475,000 to \$750,000. The Conversion Date (as defined in the Indenture governing the 2005-1 Bonds and the Secured Debt Facility), was changed from July 2, 2010 to June 29, 2012. The additional amount available for borrowing under the Secured Debt Facility, as limited by the Company's borrowing base, was \$164,347 as of June 30, 2010. The Secured Debt Facility provides for payments of interest only during the period from its inception until its Conversion Date, with a provision for the Secured Debt Facility to amortize over a 10-year, but not to exceed the maximum term of a 15-year period beginning on the Conversion Date. The interest rate on the Secured Debt Facility, payable monthly in arrears, is LIBOR plus 2.75% during the revolving period prior to the Conversion Date. 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 remainder of the 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 prior to the new Conversion Date, the interest rate would increase based on pre-agreed terms during the 10 or 15 year amortization period that follows.

Under the terms of the 2005-1 Bonds and Secured Debt Facility, the total outstanding principal of these two programs may not exceed an amount (the Asset Base), which is calculated by a formula based on TMCL's book value of equipment, restricted cash and direct financing and sales-type leases. The total obligations under the 2005-1 Bonds and the Secured Debt Facility are secured by a pledge of TMCL's assets. TMCL's total assets amounted to \$1,108,758 as of June 30, 2010. The 2005-1 Bonds and the Secured Debt Facility also contain restrictive covenants regarding the average age of TMCL's container fleet, certain earnings ratios, ability to incur other obligations and to distribute earnings, TGH's container management subsidiary net income and debt levels, and overall Asset Base minimums, in which TMCL and TGH's container management subsidiary were in full compliance at June 30, 2010.

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The following is a schedule by year, of future scheduled repayments, as of June 30, 2010:

	Revolving Credit Facility	2005-1 Bonds (1)	Secured Debt Facility(1)
Twelve months ending June 30:			
2011	\$	\$ 51,500	\$
2012		51,500	
2013	84,000	51,500	32,100
2014		51,500	32,100
2015 and thereafter		47,208	256,800
	\$ 84,000	\$ 253,208	\$ 321,000

- (1) Future scheduled payments for the 2005-1 Bonds and the Secured Debt Facility exclude step acquisition adjustments of \$480 and \$424, respectively, related to the purchase by TL of 3,000 additional shares of TMCL on November 1, 2007. The adjustments were recorded to reduce the balance of both the 2005-1 Bonds and the Secured Debt Facility to an amount that equaled the fair market value of the debt on the date of the acquisition.

The future repayments schedule for the Secured Debt Facility is based on the assumption that the facility will not be extended on its Conversion Date and will then convert into a ten-year fully amortizing note payable.

**Derivative Instruments**

The Company has entered into several interest rate cap and swap agreements with several banks to reduce the impact of changes in interest rates associated with its 2005-1 Bonds and Secured Debt Facility. The following is a summary of the Company's derivative instruments as of June 30, 2009:

Derivative instruments	Notional amount
Interest rate cap contracts with several banks with fixed rates between 3.23% and 5.63% per annum, non-amortizing notional amounts, with termination dates through November 2015	\$ 150,100
Interest rate swap contracts with several banks, with fixed rates between 1.08% and 4.95% per annum, amortizing notional amounts, with termination dates through December 2014	340,260
Total notional amount as of June 30, 2010	\$ 490,360

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During August 2010, the Company entered into an interest rate swap contract with a bank, with a one-month LIBOR rate fixed at 0.97% per annum, in amortizing notional amount of \$50,000 and a term from August 16, 2010 through August 15, 2013.

The Company's interest rate swap agreements had a fair value liability of \$14,568 as of June 30, 2010 and a fair value asset and liability of \$731 and \$8,971, respectively, as of December 31, 2009, which are inclusive of counterparty risk. The primary external risk of the Company's interest rate swap agreements is the counterparty credit exposure, as defined as the ability of a counterparty to perform its financial obligations under a derivative contract. The Company monitors its counterparties' credit ratings on an on-going basis and they were in compliance with the related derivative agreements at June 30, 2010. The Company does not have any master netting arrangements with its counterparties. The Company's fair value assets and liabilities for its interest rate swap agreements are included in interest rate swaps in the accompanying condensed consolidated balance sheets. The change in fair value was recorded in the condensed consolidated statements of income as unrealized (losses) gains on interest rate swaps, net.

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June 30, 2010 and 2009

(Unaudited)

(All currency expressed in United States dollars in thousands)

**(7) Segment Information**

As described in Note 1 Nature of Business, the Company operates in four reportable segments: (i) container ownership, (ii) container management, (iii) container resale and (iv) military management. The following tables show segment information for the three and six months ended June 30, 2010 and 2009, reconciled to the Company's income before taxes as shown in its condensed consolidated statements of income:

**Three Months Ended**

<b>June 30, 2010</b>	<b>Container Ownership</b>	<b>Container Management</b>	<b>Container Resale</b>	<b>Military Management</b>	<b>Other</b>	<b>Eliminations</b>	<b>Totals</b>
Lease rental income	\$ 56,396	\$	\$	\$ 345	\$	\$	\$ 56,741
Management fees		10,112	2,589	465		(6,269)	6,897
Trading container sales proceeds			3,612				3,612
Gains on sale of containers, net	7,274						7,274
<b>Total revenue</b>	<b>\$ 63,670</b>	<b>\$ 10,112</b>	<b>\$ 6,201</b>	<b>\$ 810</b>	<b>\$</b>	<b>\$ (6,269)</b>	<b>\$ 74,524</b>
Depreciation expense	\$ 13,526	\$ 189	\$	\$ 5	\$	\$ (532)	\$ 13,188
Interest expense	\$ 2,781	\$	\$	\$	\$	\$	\$ 2,781
Unrealized losses on interest rate swaps, net	\$ 4,728	\$	\$	\$	\$	\$	\$ 4,728
<b>Segment income before taxes</b>	<b>\$ 27,490</b>	<b>\$ 2,388</b>	<b>\$ 2,252</b>	<b>\$ 26</b>	<b>\$ (908)</b>	<b>\$ (211)</b>	<b>\$ 31,037</b>
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**

<b>June 30, 2009</b>							
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
<b>Total revenue</b>	<b>\$ 46,615</b>	<b>\$ 7,618</b>	<b>\$ 3,834</b>	<b>\$ 817</b>	<b>\$</b>	<b>\$ (4,446)</b>	<b>\$ 54,438</b>
Depreciation expense	\$ 11,534	\$ 186	\$	\$ 5	\$	\$ (464)	\$ 11,261

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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



**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**

<b>June 30, 2010</b>	<b>Container Ownership</b>	<b>Container Management</b>	<b>Container Resale</b>	<b>Military Management</b>	<b>Other</b>	<b>Eliminations</b>	<b>Totals</b>
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
<b>Total revenue</b>	<b>\$ 122,218</b>	<b>\$ 18,628</b>	<b>\$ 13,025</b>	<b>\$ 1,695</b>	<b>\$</b>	<b>\$ (11,843)</b>	<b>\$ 143,723</b>
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
<b>Segment income before taxes</b>	<b>\$ 51,895</b>	<b>\$ 2,792</b>	<b>\$ 5,073</b>	<b>\$ 363</b>	<b>\$ (1,534)</b>	<b>\$ 135</b>	<b>\$ 58,724</b>
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
<b>Total revenue</b>	<b>\$ 97,632</b>	<b>\$ 17,173</b>	<b>\$ 7,558</b>	<b>\$ 1,727</b>	<b>\$</b>	<b>\$ (10,071)</b>	<b>\$ 114,019</b>
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

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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

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**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.

**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:

	<b>Share options (common share equivalents)</b>	<b>Weighted average exercise price</b>
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		\$
<b>Balances, June 30, 2010</b>	<b>1,339,741</b>	<b>\$ 15.08</b>
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
	<b>Restricted share units</b>	<b>Weighted average grant date fair value</b>
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
<b>Balances, June 30, 2010</b>	<b>1,153,265</b>	<b>\$ 12.63</b>
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.

**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. Trecor, 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.



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*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%
<b>Total fleet</b>	<b>2,149,637</b>	<b>65,180</b>	<b>2,214,817</b>	<b>100.0%</b>

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%
<b>Total</b>	<b>100.00%</b>

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

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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.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2010 (Dollars in thousands) (Unaudited)	2009 (Dollars in thousands) (Unaudited)	2010 (Dollars in thousands) (Unaudited)	2009 (Dollars in thousands) (Unaudited)
<b>Reconciliation of EBITDA:</b>				
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)
<b>EBITDA</b>	<b>\$ 51,602</b>	<b>\$ 50,473</b>	<b>\$ 97,290</b>	<b>\$ 92,623</b>
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)
<b>EBITDA</b>			<b>\$ 97,290</b>	<b>\$ 92,623</b>

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

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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		% Change Between 2010 and 2009	Six Months Ended		% Change Between 2010 and 2009
	June 30, 2010	June 30, 2009		June 30, 2010	June 30, 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%

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

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

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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 2010 and 2009	Six Months Ended June 30,		% Change Between 2010 and 2009
	2010 (Dollars in thousands)	2009 (Dollars in thousands)		2010 (Dollars in thousands)	2009 (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%)
<b>Total operating expenses</b>	<b>\$ 33,452</b>	<b>\$ 31,943</b>	<b>4.7%</b>	<b>\$ 68,144</b>	<b>\$ 61,958</b>	<b>10.0%</b>

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.

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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%)

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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 (Dollars in thousands)	2009 (Dollars in thousands)		2010 (Dollars in thousands)	2009 (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.



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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 2010 and 2009	Six Months Ended June 30,		% Change Between 2010 and 2009
	2010 (Dollars in thousands)	2009 (Dollars in thousands)		2010 (Dollars in thousands)	2009 (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.

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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 Borrowing, as Limited by our 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:

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Dollars in thousands)</b>	
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					
<b>Total contractual obligations</b>	<b>\$ 874,030</b>	<b>\$ 177,330</b>	<b>\$ 73,154</b>	<b>\$ 186,655</b>	<b>\$ 96,328</b>	<b>\$ 88,827</b>	<b>\$ 251,736</b>

(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.



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### *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.

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**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**