CAI International, Inc.
Form 424B4
May 16, 2007
Table of Contents

Filed Pursuant to Rule 424(b)(4)
Registration No. 333-140496

5,800,000 Shares

CAI INTERNATIONAL, INC.
Common Stock

$15.00 per share

CAI International, Inc. is offering 5,800,000 shares.

Trading symbol: New York Stock Exchange CAP

This is our initial public offering and no public market currently exists for our shares.

This investment involves risk. See Risk Factors beginning on page 11.

	Per Share	Total
Public offering price	$15.00	$ 87,000,000
Underwriting discount	$ 1.05	$ 6,090,000
Proceeds, before expenses, to CAI International, Inc.	$13.95	$ 80,910,000

The underwriters have a 30-day option to purchase up to 870,000 additional shares of common stock from us to cover over-allotments, if any.

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

Piper Jaffray

William Blair & Company **Jefferies & Company**

The date of this prospectus is May 16, 2007.

Table of Contents

Table of Contents

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus and in any free writing prospectus. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information in this prospectus is complete and accurate only as of the date on the front cover of this prospectus, regardless of when this prospectus is delivered or any sale of our common stock occurs.

Table of Contents

SUMMARY

The items in the following summary are described in more detail later in this prospectus. This summary provides an overview of selected information and does not contain all the information you should consider. Therefore, you should also read the more detailed information set out in this prospectus, including the financial statements, the notes thereto and the matters set forth under Risk Factors.

In this prospectus, unless indicated otherwise, references to: (1) CAI, the company, we, us and our refer to CAI International, Inc., formerly known as Container Applications International, Inc., the issuer of the common stock and its subsidiaries; (2) Interpool refers to Interpool, Inc., which owned 50.0% of our common stock until we repurchased such common stock on October 1, 2006; (3) TEU refers to a 20' equivalent unit, which is a measurement used in the container shipping industry to compare shipping containers of various sizes and configurations to a standard 20' dry van container; (4) our owned fleet means the containers we own, plus the containers we lease from other companies under operating and finance leases; (5) our managed fleet means the containers we manage that are owned by container investors; (6) our fleet and our total fleet mean our owned fleet plus our managed fleet; and (7) container investors means investment entities that purchase portfolios of containers from us. Unless otherwise indicated herein, all share and per share information has been adjusted for the 420-for-one stock split that was effected as of April 23, 2007.

CAI International, Inc.

We are one of the world s leading container leasing and management companies. We believe that our share of the worldwide leased container fleet, as measured in TEUs, increased from approximately 4.3% as of mid-1998 to 6.3% as of mid-2006, representing the seventh largest fleet of leased containers in the world. We operate our business through two segments: container leasing and container management. We purchase new containers, lease them to container shipping lines and either retain them as part of our owned fleet or sell them to container investors for whom we then provide management services. In operating our fleet, we lease, re-lease and dispose of containers and contract for the repair, repositioning and storage of containers. As of March 31, 2007, our fleet comprised 684,000 TEUs, 74.7% of which represented our managed fleet and 25.3% of which represented our owned fleet.

We were founded in 1989 by our Executive Chairman, Hiromitsu Ogawa, as a traditional container leasing company that leased containers owned by us to container shipping lines. In 1998, we shifted our strategic focus from leasing containers owned by us to managing containers owned by container investors. Our managed fleet, as measured in TEUs, increased at a compounded annual growth rate of 19.2% from December 31, 1998 to December 31, 2006 as compared to a compounded annual growth rate of 11.3% for our total fleet, as measured in TEUs, during the same period.

The shift in our strategic focus to managing containers for container investors has enabled us to grow our total fleet while reducing our debt and operating lease commitments. This has allowed us to realize a higher return on assets and equity than we believe would have been possible if our fleet had consisted entirely of containers owned by us. We reduced our debt, capital lease obligations and equipment operating lease commitments from $189.5 million as of December 31, 2001 to $78.7 million as of September 30, 2006. On October 1, 2006, we repurchased 50.0% of our then-outstanding common stock from Interpool. In connection with this repurchase of our common stock, we incurred $77.5 million of incremental indebtedness, which caused our debt, capital lease obligations and equipment operating lease commitments to increase to $155.4 million as of December 31, 2006. We will use our net proceeds from this offering to repay this incremental indebtedness. As a result of these transactions, Mr. Ogawa s ownership of our common stock increased from 50.0% to 100.0%. In February 2007

Mr. Ogawa sold approximately 14.9% of our common stock, after giving effect to the conversion of our Series A cumulative redeemable convertible preferred stock into common stock, to an entity affiliated with the Development Bank of Japan.

We lease our containers to lessees under long-term leases, short-term leases and finance leases. Long-term leases cover a specified number of containers that will be on lease for a fixed period of time. Short-term leases provide lessees with the ability to lease containers either for a fixed term of less than one year or without a fixed term on an as-needed basis, with flexible pick-up and drop-off of containers at depots worldwide. Finance leases are long-term lease contracts that grant the lessee the right to purchase the container at the end of the term for a nominal amount. For the three months ended March 31, 2007, 92.4% of our fleet, as measured in TEUs, was on lease. As of March 31, 2007, 70.5% of our on-lease fleet was on long-term leases, 27.6% was on short-term leases and 1.9% was on finance leases.

We manage containers under management agreements that cover portfolios of containers. Our management agreements typically have terms of eight to 12 years and provide that we receive a management fee based upon the actual rental revenue for each container less the actual operating expenses directly attributable to that container. We also receive fees for selling used containers on behalf of container investors. For the three months ended March 31, 2007, our container management segment generated revenues of $6.3 million and income before income taxes of $3.8 million. For the year ended December 31, 2005, the nine months ended September 30, 2006 and the three months ended December 31, 2006, our container management segment generated revenues of $21.1 million, $16.9 million and $9.0 million, respectively, and income before income taxes of $13.9 million, $10.4 million and $6.4 million, respectively.

Our container leasing segment revenue comprises container rental revenue and finance lease income from our owned fleet, and our container management segment revenue comprises gain on sale of container portfolios and management fee revenue for managing containers for container investors. For the three months ended March 31, 2007, our container leasing segment generated revenues of $8.2 million and income before income taxes of $2.0 million. For the year ended December 31, 2005, the nine months ended September 30, 2006 and the three months ended December 31, 2006, our container leasing segment generated revenues of $40.4 million, $25.2 million and $9.7 million, respectively, and income before income taxes of $4.3 million, $5.8 million and $1.9 million, respectively.

For the three months ended March 31, 2007, we generated total revenues of $14.5 million, EBITDA of $11.1 million, and net income of $3.6 million. For the year ended December 31, 2005, the nine months ended September 30, 2006 and the three months ended December 31, 2006, we generated total revenues of $61.6 million, $42.1 million and $18.6 million, respectively, EBITDA of $39.0 million, $30.1 million and $14.7 million, respectively, and net income of $10.0 million, $10.4 million and $5.2 million, respectively.

Industry Overview

We operate in the worldwide intermodal freight container leasing industry. Intermodal freight containers, or containers, are large, standardized steel boxes used to transport cargo by a number of means, including ship, truck and rail. Container shipping lines use containers as the primary means for packaging and transporting freight internationally, principally from export-oriented economies in Asia to North America and Western Europe.

Containerisation International, *Market Analysis: Container Leasing Market 2006*, estimates that as of mid-2006 transportation companies, including container shipping lines and freight forwarders, owned approximately 57.3% of the total worldwide container fleet and container leasing companies owned approximately 42.7% of the total worldwide container fleet. Given the uncertainty and variability of export volumes and the fact that container shipping lines have difficulty in accurately forecasting their container requirements at different ports, the availability of containers for lease significantly reduces a container shipping line s need to purchase and maintain excess container inventory.

According to Drewry Shipping Consultants Limited, *The Drewry Annual Container Market Review and Forecast 2006/2007*, worldwide containerized cargo volume grew each year from 1980 through 2005, attaining a compounded annual growth rate of 9.8% during that period. Drewry estimates that 2006 container cargo volume grew 10.3% over the prior year. Drewry forecasts that cargo volume will continue to grow at approximately 9.0% annually through 2011. We believe that this projected growth is due to several factors, including the continuing shift in global manufacturing capacity to lower labor cost regions such as China and India, the continued integration of developing high-growth economies into global trade patterns, the continued conversion of cargo from bulk shipping into container shipping and the growing liberalization and integration of world trade.

Our Strengths

We believe our strengths include the following:

Multiple Sources of Revenue. Our container rental revenue and management fee revenue are structured to provide us with stable revenue over longer periods of time while our gain on sale of container portfolios has historically generated significant incremental revenue and facilitated growth in management fee revenue by increasing the number of containers we manage for container investors. By having multiple sources of revenue, we believe that we have been able to realize a higher return on assets and equity than would have been possible if our fleet had consisted entirely of containers owned by us. We believe it is important to maintain a balance between the size of our owned fleet and our managed fleet to maintain our multiple sources of revenue.

High-Quality Asset Management Services. We sell portfolios of leased containers to a number of container investors in Europe and Asia through various intermediaries. Following the sale, we manage these portfolios on behalf of the container investors. We believe that container investors view us as one of the highest quality companies providing container management services due to the quality of the container portfolios that we sell and the asset management services that we provide. From January 1, 2004 through March 31, 2007, we sold to European and Asian container investors containers representing 211,000 TEUs for $363.4 million of gross proceeds.

Capital-efficient Third-party Fleet Management Operation. We have grown our managed fleet by selling portfolios of containers to container investors, most of which are subject to lease at the time of sale. By selling these portfolios to container investors, we are able to free up capital more quickly than if we kept the containers as part of our owned fleet. This enables us to deploy the capital for other uses. Our container management segment provides us with revenue at the time of sale, long-term contractual management fees and a sales fee earned when we sell used containers for container investors, all with very little long-term investment from us.

Long-standing Container Lessee Relationships with Attractive Credit Characteristics. We currently lease containers to over 250 container lessees, including many of the largest international container shipping lines. As of December 31, 2006, we conducted business with the top 20 lessees of our total fleet, as measured in TEUs, for an average of over 12 years. These top 20 lessees had, as of December 31, 2006, a weighted-average Dynamar credit rating of 2.4 on a rating scale of one through ten, with a one representing the

strongest credit rating. Dynamar B.V. provides credit ratings to the container leasing industry.

Experienced Management Team. We have significant experience in the container leasing industry. Our six key officers have an average of approximately 15 years of experience in the container leasing industry. In addition, our marketing, operations and underwriting personnel have developed long-term relationships with lessees that improve our access to continued opportunities with leading container shipping lines.

Flexibility to Satisfy Changing Market Demands. Our operating expertise and financial flexibility enable us to meet the evolving requirements of lessees and container investors. We have significant experience in structuring and selling to container investors portfolios of containers that have attractive investment returns. By selling these portfolios to container investors, we have been able to purchase a substantial number of new containers while at the same time maintaining significant borrowing capacity under our senior secured credit facility. This has enabled us to choose when to purchase new containers based upon our expectations of near-term market conditions and quickly respond to the changing demands of lessees for short- and long-term leases.

Proprietary, Real-time Information Technology System. We have developed a proprietary, real-time information technology system to assist us in managing our container fleet. Our proprietary IT system has been essential to providing a high level of customer service and we believe it is scalable to satisfy our future growth without significant capital expenditures.

Risks Affecting Us

In operating our business we have faced and will continue to face significant challenges. Our ability to successfully operate our business is subject to numerous risks as discussed more fully in the section entitled Risk Factors. For example:

- world trade volume and economic growth could decline and other macroeconomic market conditions affecting the container leasing industry could worsen;
- demand from container investors to purchase portfolios of leased containers at prices that are attractive to us could decline;
- container shipping lines could decide to buy rather than lease a larger percentage of the containers they use;
- demand for leased containers by container shipping lines could decrease due to consolidation of container shipping lines or other factors;
- per diem rates for leases could decline;
- new container prices could change unexpectedly;
- shipping may be disrupted by a number of causes, including terrorist attacks and regional economic instability; and

we may lose key members of our senior management.

Any of the above risks could cause our per diem or utilization rates to decline or could otherwise materially and adversely affect our business, financial position and results of operations. An investment in our common stock involves risks. You should read and consider the information set forth in Risk Factors and all other information set forth in this prospectus before investing in our common stock.

Table of Contents

Corporate Information

We were incorporated under the name Container Applications International, Inc. as a Nevada corporation in 1989 and reincorporated under the name CAI International, Inc. in Delaware in 2007. Our principal executive offices are located at One Embarcadero Center, Suite 2101, San Francisco, California 94111. Our telephone number is (415) 788-0100 and our Web site is located at http://www.caiintl.com. We expect to make our periodic reports and other information filed with or furnished to the SEC available free of charge through our Web site as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information contained on our Web site or any other Web site is not incorporated by reference into this prospectus, and you should not consider information contained on our Web site or any other Web site to be a part of this prospectus.

The Offering

Common stock offered by CAI International, Inc.	5,800,000 shares
Common stock outstanding after this offering	17,108,920 shares
Offering price	$15.00 per share
Use of proceeds	To repay a portion of our outstanding indebtedness, including a $37.5 million convertible subordinated note, a $17.5 million term loan outstanding under our senior secured credit facility, and a portion of the amount outstanding under the revolving line of credit under our senior secured credit facility. See Use of Proceeds.
New York Stock Exchange symbol	CAP

The number of shares outstanding after this offering is based on 10,584,000 shares of common stock outstanding as of March 31, 2007 and, unless otherwise indicated:

- includes the conversion of all outstanding shares of Series A cumulative redeemable convertible preferred stock into 724,920 shares of common stock, which occurred concurrent with this offering;
- excludes 36,876 shares of common stock subject to restricted stock grants under our 2007 Equity Incentive Plan, which we granted under our 2007 Equity Incentive Plan concurrent with this offering;
- excludes 546,120 shares of common stock issuable upon exercise of options with an exercise price equal to $15.00, which we granted under our 2007 Equity Incentive Plan concurrent with this offering; and
- excludes 138,984 shares of common stock reserved for future issuance under our 2007 Equity Incentive Plan.

Unless otherwise indicated, this prospectus assumes no exercise of the underwriters over-allotment option to purchase up to 870,000 shares of common stock from us.

Table of Contents

Summary Historical Consolidated Financial and Operating Data

The summary consolidated financial data presented below under the heading Statement of Income Data for the years ended December 31, 2004 and 2005, the nine months ended September 30, 2006 and the three months ended December 31, 2006 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated financial data presented below under the heading Statement of Income Data for the three months ended March 31, 2006 and 2007 and under the heading Balance Sheet Data as of March 31, 2007 are unaudited, have been derived from our unaudited consolidated financial statements that are included elsewhere in this prospectus and have been prepared on the same basis as our audited consolidated financial statements. In the opinion of management, the unaudited consolidated summary financial data presented below under the headings Statement of Income Data and Balance Sheet Data reflect all normal and recurring adjustments necessary to fairly present our financial condition and results of operations as of and for the periods presented.

Prior to October 1, 2006, we had two principal stockholders, each of whom beneficially owned 50.0% of our outstanding common stock. These stockholders were our founder and Executive Chairman, Hiromitsu Ogawa, and Interpool. On October 1, 2006, we repurchased 10,584,000 shares, or 50.0% of our then-outstanding common stock, held by Interpool. The repurchase resulted in an increase in the percentage of our common stock held by Mr. Ogawa from 50.0% to 100.0%. In connection with this transaction we have applied pushdown accounting in accordance with Staff Accounting Bulletin No. 54 (SAB No. 54) and accounted for the purchase as a step acquisition in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations* (SFAS No. 141). Due to the application of pushdown accounting and step acquisition accounting in our financial statements, our financial condition and results of operations after September 30, 2006 will not be comparable in some respects to our financial condition and results of operations reflected in our historical financial statements as of dates or for periods prior to October 1, 2006.

The consolidated balance sheet and statement of income data in this prospectus prior to October 1, 2006 refer to the Predecessor company and this period is referred to as the pre-repurchase period, while the consolidated balance sheet and statement of income data on and subsequent to October 1, 2006 refer to the Successor company and this period is referred to as the post-repurchase period. A line has been drawn between the accompanying financial statements to distinguish between the pre-repurchase and post-repurchase periods.

The pro forma, as adjusted balance sheet data as of March 31, 2007 give effect to: (1) the conversion of all our preferred stock to common stock; (2) payment of accrued dividends on our preferred stock; (3) our receipt of the proceeds from the repayment of promissory notes (including all accrued and unpaid interest) issued to certain executive officers in connection with the purchase of 524,376 shares of Series A cumulative redeemable convertible preferred stock; (4) the sale by us of 5,800,000 shares of common stock at the initial public offering price of $15.00 per share; (5) the payment of cash bonuses of $263,000 to our employees; and (6) the application of the net proceeds of this offering to repay certain indebtedness as set forth in Use of Proceeds.

We adopted the Financial Accounting Standards Board (FASB) Staff Position *Accounting for Planned Major Maintenance Activities* (FSP AUG AIR-1) effective January 1, 2007. As a result we have retroactively adjusted our consolidated financial statements to reflect the direct expense method of accounting for maintenance, a method permitted under this Staff Position. The impact of the application of FSP AUG AIR-1 to our storage and handling expense was a $47,000 increase in the three months ended December 31, 2006, an increase of $179,000 for the nine months ended September 30, 2006 and increases of $421,000 and $511,000 for 2005 and 2004, respectively.

Table of Contents

The operating data presented below under Selected Operating Data are not audited. Historical results are not necessarily indicative of the results to be expected for future periods. You should read the summary historical consolidated financial and operating data presented below in conjunction with Unaudited Pro Forma Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Predecessor Year Ended December 31,		Nine Months Ended September 30,	Successor Three Months Ended December 31,	Predecessor Three Months Ended March 31,	Successor Three Months Ended March 31,
	2004	2005	2006	2006	2006	2007
			(in thousands, except per share data)			
					(unaudited)	
Statement of Income Data:						
Revenue						
Container rental revenue	$ 45,855	$ 39,614	$ 24,228	$ 9,383	$ 8,062	$ 7,880
Management fee revenue	6,809	11,230	8,530	3,569	2,574	3,419
Gain on sale of container portfolios	13,420	9,913	8,365	5,392	1,932	2,895
Finance lease income	602	829	927	267	307	319
Total revenue	66,686	61,586	42,050	18,611	12,875	14,513
Operating expenses						
Depreciation of container rental equipment	15,545	14,764	9,653	2,360	3,367	1,690
Amortization of intangible assets				307		308
Impairment of container rental equipment	275	572	270	81	237	119
Gain on disposition of used container equipment	(718)	(1,166)	(804)	(747)	(147)	(1,005)
Equipment rental expense	10,636	6,875	1,187	395	396	395
Storage, handling and other expenses	6,164	3,853	2,411	779	667	671
Marketing, general and administrative expenses	11,783	12,551	8,967	3,389	3,349	3,302
Total operating expenses	43,685	37,449	21,684	6,564	7,869	5,480
Operating income	23,001	24,137	20,366	12,047	5,006	9,033
Net interest expense	7,623	7,771	4,146	3,695	1,596	3,230
Income before income taxes	15,378	16,366	16,220	8,352	3,410	5,803
Income tax expense	6,149	6,377	5,856	3,119	1,231	2,191
Net income	9,229	9,989	10,364	5,233	2,179	3,612
(Accretion) decretion of preferred stock	(641)	(713)	1,464	(6)	488	(5,572)
Net income (loss) available to common stockholders	$ 8,588	$ 9,276	$ 11,828	$ 5,227	$ 2,667	$ (1,960)
Net income (loss) per share available to common stockholders						
Basic	$ 0.41	$ 0.44	$ 0.56	$ 0.49	$ 0.13	$ (0.19)
Diluted	0.41	0.44	0.48	0.36	0.10	(0.19)
Weighted-average shares outstanding						
Basic	21,168	21,168	21,168	10,584	21,168	10,584
Diluted	21,168	21,168	21,735	16,270	21,772	10,584

Other Financial Data:

EBITDA (unaudited)[1]	$ 38,644	$ 38,996	$ 30,094	$ 14,746	$ 8,398	$ 11,066
Purchase of containers	125,732	127,288	89,366	45,843	10,754	37,215
Net proceeds from sale of container portfolios	119,224	102,097	67,912	49,252	17,018	24,908

footnotes on following page

	As of March 31, 2007		
	Actual	Pro Forma Adjustments(2)	Pro Forma, As Adjusted(2)
		(in thousands) (unaudited)	
Balance Sheet Data:			
Cash	$ 7,775	(482)	$ 7,293
Container rental equipment, net	171,144		171,144
Net investment in direct finance leases	8,413		8,413
Total assets	283,757		283,275
Long-term debt	156,292	(78,600)	77,692
Total liabilities	247,482		168,882
Cumulative redeemable convertible preferred stock	10,472	(10,472)	
Total stockholders equity	25,803	88,853	114,393

	As of December 31,			As of March 31, 2007
	2004	2005	2006	
Selected Operating Data:		(unaudited)		
Managed fleet in TEUs(3)	416,254	456,076	483,333	511,000
Owned fleet in TEUs(3)	171,790	141,653	185,645	172,853
Total	588,044	597,729	668,978	683,853
Percentage of on-lease fleet on long-term leases	57.7%	64.7%	65.3%	70.5%
Percentage of on-lease fleet on short-term leases	41.2	33.5	32.8	27.6
Percentage of on-lease fleet on finance leases	1.1	1.8	1.9	1.9
Total	100.0%	100.0%	100.0%	100.0%

	Year Ended December 31,			Three Months Ended March 31, 2007
	2004	2005	2006	
		(unaudited)		
Utilization rate(4)	89.8%	90.7%	90.6%	92.4%

(1) EBITDA is defined as net income before interest, income taxes, depreciation and amortization. We believe EBITDA is helpful in understanding our past financial performance as a supplement to net income and other performance measures calculated in conformity with accounting principles generally accepted in the United States (GAAP). Our management believes that EBITDA is useful to investors in evaluating our operating performance because it provides a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies in our industry. EBITDA has limitations as an analytical tool and you should not consider it in isolation or as a substitute for any measure reported under GAAP. EBITDA s usefulness as a performance measure as compared to net income is limited by the fact that EBITDA excludes the impact of interest expense, depreciation and amortization expense and taxes. We borrow money in order to finance our operations; therefore, interest expense is a necessary element of our costs and ability to generate revenue. Similarly, our use of capital assets makes depreciation and

footnotes continued on following page

Table of Contents

amortization expense a necessary element of our costs and ability to generate income. In addition, since we are subject to state and federal income taxes, any measure that excludes tax expense has material limitations. Moreover, EBITDA is not calculated identically by all companies; therefore our presentation of EBITDA may not be comparable to similarly titled measures of other companies. Due to these limitations, we use EBITDA as a measure of performance only in conjunction with GAAP measures of performance, such as net income. The following table provides a reconciliation of EBITDA to net income, the most comparable performance measure under GAAP:

	Predecessor			Successor	Predecessor	Successor
	Year Ended December 31,		Nine Months Ended September 30,	Three Months Ended December 31,	Three Months Ended March 31,	Three Months Ended March 31,
	2004	2005	2006	2006	2006	2007
			(in thousands) (unaudited)			
Net income	$ 9,229	$ 9,989	$ 10,364	$ 5,233	$ 2,179	$ 3,612
Add:						
Net interest expense	7,623	7,771	4,146	3,695	1,596	3,230
Depreciation	15,643	14,859	9,728	2,392	3,392	1,725
Amortization of intangible assets				307		308
Income tax expense	6,149	6,377	5,856	3,119	1,231	2,191
EBITDA	$ 38,644	$ 38,996	$ 30,094	$ 14,746	$ 8,398	$ 11,066

(2) The pro forma, as adjusted balance sheet data as of March 31, 2007 give effect to the following events as if they had occurred on March 31, 2007: (a) the conversion of all outstanding shares of Series A cumulative redeemable convertible preferred stock into 724,920 shares of common stock; (b) the payment of all accrued dividends on all outstanding shares of Series A cumulative redeemable convertible preferred stock; (c) our receipt of the proceeds from the repayment of promissory notes (including all accrued and unpaid interest) issued to certain executive officers in connection with the purchase of 524,376 shares of Series A cumulative redeemable convertible preferred stock; (d) the sale by us of 5,800,000 shares of common stock in this offering at the initial public offering price of $15.00 per share; (e) our receipt of the estimated net proceeds of this offering of $78.6 million after deducting underwriting discounts and commissions and estimated offering expenses payable by us; (f) the payment of cash bonuses of $263,000 to our employees; and (g) the application of the estimated net proceeds of this offering to repay certain indebtedness as set forth in Use of Proceeds.

(3) Reflects the total number of TEUs included in our managed or owned fleet, as applicable, as of the end of the period indicated, including units held for sale and units held at the manufacturer that we have purchased.

(4) Reflects the average number of TEUs in our fleet on lease as a percentage of total TEUs available for lease. In calculating TEUs available for lease, we exclude units held for sale and units held at the manufacturer that we have purchased. The utilization rate for a period is calculated by averaging the utilization rates at the end of each calendar month during the period. See Management s Discussion and Analysis of Financial Condition and Results of Operations for a discussion of the calculation of our utilization rate.

Table of Contents

RISK FACTORS

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

Risks Related to Our Business and the Container Leasing Industry

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

Substantially all of our revenue comes from activities related to the leasing of containers. Our ability to continue successfully leasing containers to container shipping lines, earning management fees on leased containers and attracting container investors to purchase container portfolios from us depends in part upon the continued demand for leased containers. The demand for containers is affected by numerous factors.

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

Much of our leasing business involves shipments of goods exported from Asia. From time to time, there have been economic disruptions, health scares, such as SARS and avian flu, financial turmoil, natural disasters and political instability in Asia. If these events were to occur in the future, they could adversely affect our container lessees and the general demand for shipping and lead to reduced demand for leased containers or otherwise adversely affect us.

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

- prices of new and used containers;
- economic conditions and competitive pressures in the shipping industry;
- shifting trends and patterns of cargo traffic;
- the availability and terms of container financing;
- fluctuations in interest rates and foreign currency values;
- overcapacity or undercapacity of the container manufacturers;
- the lead times required to purchase containers;

the number of containers purchased by competitors and container lessees;

container ship fleet overcapacity or undercapacity;

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

Table of Contents

- consolidation or withdrawal of individual container lessees in the container shipping industry;
- import/export tariffs and restrictions;
- customs procedures, foreign exchange controls and other governmental regulations;
- natural disasters that are severe enough to affect local and global economies; and
- political and economic factors.

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

Our operating results have fluctuated significantly in the past and may fluctuate significantly in the future.

Our revenue comes primarily from the leasing of containers owned by us, management fees earned on containers owned by container investors and gain on sale of container portfolios to container investors. Historically, our annual and quarterly total revenues, net income and cash flows have fluctuated significantly as a result of fluctuations in our gain on sale of container portfolios. Selling containers to container investors has very little associated incremental expense, which means that our quarterly results may fluctuate significantly depending upon the amount of gain on sale of container portfolios, if any, we realize in a quarter. Due to seasonal increased demand for containers in the several months leading up to the holiday season in the United States and Europe and higher demand for purchasing containers by container investors toward the end of the calendar year, a higher proportion of our container sales to investors has typically occurred in the second half of each calendar year. Although by comparison our container rental revenue and management fee revenue have historically fluctuated much less than our gain on sale of container portfolios, container rental revenue and management revenue may also fluctuate significantly in future periods based upon the level of demand by container shipping lines for leased containers, our ability to maintain a high utilization rate of containers in our total fleet, changes in per diem rates for leases and fluctuations in operating expenses.

A large part of our revenue comes from gain on sale of container portfolios and our container sale activities in the future may result in lower gains or losses on sales of containers.

Our revenue from gain on sale of container portfolios depends on our ability to make a profit on containers that we purchase and then resell to container investors. We typically enter into firm purchase orders for containers before we begin finding lessees for the containers, and the time necessary to lease these containers may be much longer than we anticipate. The price that a container investor is willing to pay for a portfolio of containers depends on a number of factors, including the historical and future expected cash flows from the portfolio to the container investor, the credit ratings of the lessees, the mix of short-term and long-term leases, the number of TEUs in the portfolio, the timing of the sale and alternative investment opportunities available to the container investor. If any of these factors changes unexpectedly during the period between the date of our purchase order to the date a container investor purchases the container from us, we may recognize a lower gain on sale of the containers to investors, sell them to container investors at a loss or retain them as part of our owned fleet.

Table of Contents

The container investors that purchase containers from us are located in four countries and a change in the conditions and laws in any of these countries could significantly reduce demand by container investors to purchase containers.

The container investors that have historically purchased containers from us are located in Germany, Switzerland, Austria and Japan. The willingness of these investors to continue to purchase containers from us will depend upon a number of factors outside of our control, including the laws in the countries in which they are domiciled, the tax treatment of an investment and restrictions on foreign investments. If a change in tax laws or other conditions makes investments in containers less attractive, we will need to identify new container investors. The process of identifying new container investors and selling containers to them could be lengthy and we may not be able to find new container investors in these circumstances, which would result in a substantial reduction in the amount of gain on sale of container portfolios and cash flow we recognize.

We derive a substantial portion of our revenue for each of our container management and container leasing segments from a limited number of container investors and container lessees, respectively, and the loss of, or reduction in business by, any of these container investors or container lessees could result in a significant loss of revenue and cash flow.

We have derived, and believe that we will continue to derive, a significant portion of our revenue and cash flow from a limited number of container investors and container lessees. Our business comprises two reportable segments for financial statement reporting purposes: container management and container leasing. Revenue for our container management segment comes primarily from container investors that purchase portfolios of containers and then pay us to manage the containers for them. Revenue for our container leasing segment comes primarily from container lessees that lease containers from our owned fleet.

Revenue from our ten largest container lessees represented 57.7% of the revenue from our container leasing segment for the year ended December 31, 2006, on a pro forma, as adjusted basis, with revenue from our single largest container lessee accounting for 13.8%, or $4.8 million, of revenue from our container leasing segment during such period. This $4.8 million of revenue represented 7.9% of our total revenue for this period. We do not distinguish between our owned fleet and our managed fleet when we enter into leases with container shipping lines. Accordingly, the largest lessees of our owned fleet are typically among the largest lessees of our managed fleet, and our management fee revenue is based in part on the number of managed containers on lease to container lessees. As a result, the loss of, or default by, any of our largest container lessees could have a material adverse effect on the revenue for both our container management segment and our container leasing segment. In addition, many of the management agreements with our container investors contain performance criteria, such as minimum per diem net income per container or minimum utilization rates for the pool of containers owned by the container investors. In the event we fail to meet one or more of these criteria in a management agreement, the independent investment arrangers who typically act on behalf of container investors may have the right to terminate the management agreement. In the year ended December 31, 2006, container investors associated with five independent investment arrangers represented 95.6% of our container management revenue on a pro forma, as adjusted basis. If we were to not perform our obligations as a container manager under the management agreements controlled by an independent investment arranger, the independent investment arranger could decide to terminate all of the management agreements under which we have not performed our obligations. Managed containers associated with our single largest container investor accounted for 29.8%, or $7.7 million, of revenue from our container management segment during the year ended December 31, 2006, on a pro forma, as adjusted basis. This $7.7 million of revenue represented 12.7% of our total revenue for this period. The termination of the management agreements under the control of a single investment arranger or the loss of our largest container investor as a management services customer could have a material adverse effect on the revenue for our container management segment. For a description of our results of operations for the year ended December 31, 2006 on a pro forma, as adjusted basis, see Unaudited Pro Forma Financial Information.

Table of Contents

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

We primarily lease containers to container shipping lines. We believe container shipping lines require two TEUs of available containers for every TEU of capacity on their container ships. Container shipping lines have historically relied on a large number of leased containers to satisfy their needs. Consolidation of major container shipping lines could create efficiencies and decrease the demand that container shipping lines have for leased containers because they may be able to fulfill a larger portion of their needs through their owned container fleets. It could also create concentration of credit risk if the number of our container lessees decreases due to consolidation. Additionally, large container shipping lines with significant resources could choose to manufacture their own containers, which would decrease their demand for leased containers and could have an adverse impact on our business.

Per diem rates for our leased containers may decrease, which would have a negative effect on our business and results of operations.

Per diem rates for our leased containers depend on a large number of factors, including the following:

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

Because steel is the major component used in the construction of new containers, the price of new containers is highly correlated with the price of raw steel. Container prices and leasing rates increased from 2003 to 2004, and again in the second half of 2006, partially due to an increase in worldwide steel prices, while in the late 1990s, new container prices and per diem rates declined, because of, among other factors, a drop in worldwide steel prices and a shift in container manufacturing from Taiwan and Korea to areas in mainland China with lower labor costs. Container prices and per diem rates may fall again.

In addition, per diem rates may be negatively impacted by the entrance of new leasing companies, overproduction of new containers by manufacturers and over-buying of containers by container shipping lines and leasing competitors. For example, during 2001 and again in 2005, overproduction of new containers, coupled with a build-up of container inventories in Asia by leasing companies and container shipping lines, led to decreasing per diem rates and utilization rates. In the event that the container shipping industry were to be characterized by overcapacity in the future, or if available supply of containers were to increase significantly as a result of, among other factors, new companies entering the business of leasing and selling containers, both utilization and per diem rates may decrease, adversely affecting our revenue and operating results.

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

A significant percentage of our revenue is attributable to management fees earned on services related to the leasing of containers owned by container investors. This revenue has very low direct operating costs associated with it. Accordingly, fluctuations in our management fee revenue in any period will have a significant impact on our profitability in that period. If we fail to meet performance requirements contained in our management agreements, container investors may seek to terminate these agreements. Moreover, our ability to continue to attract new management contracts depends upon a number of factors, including our ability to lease containers on attractive lease terms and to efficiently manage the

Table of Contents

repositioning and disposition of containers. In the event container investors perceive another container leasing company as better able to provide them with a stable and attractive rate of return, existing contracts may not be renewed, and we may lose management contract opportunities in the future, which could affect our business, results of operations and financial condition.

As we increase the number of containers in our owned fleet, we will be subject to significantly greater ownership risks.

The number of containers in our owned fleet fluctuates over time as we purchase new containers and sell containers to container investors or into the secondary resale market. As part of our strategy, we plan to increase both the number of owned containers as well as the number of managed containers in our fleet. We paid $37.2 million to purchase containers in the three months ended March 31, 2007 and we expect to purchase an aggregate of approximately $150.0 million to $200.0 million of new containers in 2007. We believe we will be able to find container investors to purchase the desired portion of the new containers that we purchase and lease. If we are unable to locate container investors to purchase these containers, we will operate the containers as part of our owned fleet. Ownership of containers entails greater risk than management of containers for container investors, meaning that as we increase the number of containers in our owned fleet, we will be subject to an increased level of risk from loss or damage to equipment, financing costs, changes in per diem rates, re-leasing risk, changes in utilization rates, lessee defaults, repositioning costs, storage expenses, impairment charges and changes in sales price upon disposition of containers.

As we increase the number of containers in our owned fleet we will have significantly more capital at risk and may not be able to satisfy the future capital requirements of our container management business.

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

Our container lessees prefer newer containers, so to stay competitive we must continually add new containers to our fleet. If we are unable to make necessary capital expenditures, our fleet of containers may be less attractive to our container lessees and our profitability could suffer.

Gains and losses associated with the disposition of used container equipment may fluctuate and adversely affect our results of operations.

We regularly sell used, older containers upon lease expiration. The residual values of these containers therefore affect our profitability. The volatility of the residual values of such containers may be significant. These values depend upon, among other factors, raw steel prices, applicable maintenance standards, refurbishment needs, comparable new container costs, used container availability, inflation rates, market conditions, materials and labor costs and equipment obsolescence. Most of these factors are outside of our control.

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

We may incur significant costs to reposition containers.

When lessees return containers to locations where supply exceeds demand, we routinely reposition containers to higher demand areas. Repositioning expenses vary depending on geographic location, distance, freight rates and other factors, and may not be fully covered by drop-off charges collected from the last lessee of the containers or pick-up charges paid by the new lessee. We seek to limit the number of containers that can be returned and impose surcharges on containers returned to areas where demand for such containers is not expected to be strong. However, market conditions may not enable us to continue such practices. In addition, we may not accurately anticipate which port locations will be characterized by high or low demand in the future, and our current contracts will not protect us from repositioning costs if ports that we expect to be high-demand ports turn out to be low-demand ports at the time leases expire.

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

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

Our cash flows from containers, principally container rental revenue, management fee revenue, gain on sale of container portfolios, gain on disposition of used container equipment and commissions earned on the sale of containers on behalf of container investors, are affected significantly by the ability to collect payments under leases and the ability to replace cash flows from terminating leases by re-leasing or selling containers on favorable terms. All of these factors are subject to external economic conditions and the performance by lessees and service providers that are not within our control.

When lessees default, we may fail to recover all of our containers and the containers we do recover may be returned to locations where we will not be able to quickly re-lease or sell them on commercially acceptable terms. We may have to reposition these containers to other places where we can re-lease or sell them, which could be expensive depending on the locations and distances involved. Following repositioning, we may need to repair the containers and pay container depots for storage until the containers are re-leased. For our owned containers these costs will directly reduce our income before taxes and for our managed containers, lessee defaults will increase operating expenses, and thus reduce our management fee revenue. While we maintain insurance to cover such defaults, it is subject to large deductible amounts and significant exclusions and, therefore, may not be sufficient to prevent us from suffering material losses. Additionally, this insurance might not be available to us in the future on commercially reasonable terms or at all. While in recent years defaults by lessees on our owned fleet, as measured by our experience and reflected on our financial statements as an allowance for doubtful accounts, have not constituted a significant percentage of our assets, future defaults could have a material adverse effect on our business, results of operations and financial condition.

Changes in market price, availability or transportation costs of containers could adversely affect our ability to maintain our supply of containers.

We currently purchase almost all of our containers from manufacturers based in China. If it were to become more expensive for us to procure containers in China or to transport these containers at a low cost from China to the locations where they are needed by our container lessees because of changes in

Table of Contents

exchange rates between the U.S. Dollar and Chinese Yuan, further consolidation among container suppliers, increased tariffs imposed by the United States or other governments or for any other reason, we may have to seek alternative sources of supply. While we are not currently dependent on any single current manufacturer of our containers, we may not be able to make alternative arrangements quickly enough to meet our container needs, and the alternative arrangements may increase our costs. The availability of containers depends significantly on the availability and cost of steel in China. If a shortage of steel develops either in China or worldwide, container manufacturers may not be able to meet our demand for new containers which would limit our ability to add new containers to our fleet.

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

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

We maintain liability insurance that we believe would apply to claims arising from a terrorist attack, and our lease agreements require our lessees to indemnify us for all costs, liabilities and expenses arising out of the use of our containers, including property damage to the containers, damage to third-party property and personal injury. However, our lessees may not have adequate resources to honor their indemnity obligations and our insurance coverage is subject to large deductibles, a $15.0 million limit on coverage and significant exclusions. Accordingly, we may not be protected from liability (and expenses in defending against claims of liability) arising from a terrorist attack.

Our senior executives are critical to the success of our business and our inability to retain them or recruit new personnel could adversely affect our business.

Most of our senior executives and other management-level employees have over ten years of industry experience. We rely on this knowledge and experience in our strategic planning and in our day-to-day business operations. Our success depends in large part upon our ability to retain our senior management, the loss of one or more of whom could have a material adverse effect on our business. Our success also depends on our ability to retain our experienced sales force and technical personnel as well as recruiting new skilled sales, marketing and technical personnel. Competition for these individuals in our industry is intense and we may not be able to successfully recruit, train or retain qualified personnel. If we fail to retain and recruit the necessary personnel, our business and our ability to obtain new container lessees and provide acceptable levels of customer service could suffer. With the exception of Mr. Hiromitsu Ogawa, our Executive Chairman, Mr. Masaaki (John) Nishibori, our President and Chief Executive Officer, and Mr. Victor Garcia, our Senior Vice President and Chief Financial Officer, we do not have employment agreements with any of our employees.

We rely on our proprietary information technology system to conduct our business. If this system fails to adequately perform its functions, or if we experience an interruption in its operation, our business, results of operations and financial prospects could be adversely affected.

The efficient operation of our business is highly dependent on our proprietary information technology system. We rely on our system to track transactions, such as repair and depot charges and changes to book value, and movements associated with each of our owned or managed containers. We use the information provided by this system in our day-to-day business decisions in order to effectively manage

Table of Contents

our lease portfolio and improve customer service. We also rely on it for the accurate tracking of the performance of our managed fleet for each container investor. The failure of our system to perform as we expect could disrupt our business, adversely affect our results of operations and cause our relationships with lessees and container investors to suffer. In addition, our information technology system is vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, power loss and computer systems failures and viruses. Any such interruption could have a material adverse effect on our business, results of operations and financial prospects.

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

We intend to borrow additional amounts under our senior secured credit facility to purchase containers and expect that we will maintain a significant amount of indebtedness on an ongoing basis. All of our borrowings under our senior secured credit facility are due and payable on September 30, 2010, and there is no assurance that we will be able to refinance our outstanding indebtedness, or if refinancing is available, that it can be obtained on term